Application Proof of

Three Squirrels Inc.
三隻松鼠股份有限公司

(the "**Company**")

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

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Three Squirrels Inc.
三隻松鼠股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to 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%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor, [REDACTED]

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The [REDACTED], for itself and on behalf of the [REDACTED], may, where considered appropriate and with the Company's consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] range below that stated in this Document (which is HK$[REDACTED] to HK$[REDACTED]) at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such case, notices of the reduction in the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] range will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.3songshu.com as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the [REDACTED]. See "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" sections for further details.

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CONTENTS

This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this Document. 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 H Shares are set out in "Risk Factors" in this Document. You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

Mission

Bring great products to everyone

Vision

Affordable for everyone, available everywhere

To ensure every team member is filled with kindness and empowered to reach full potential, and experiences both happiness and a sense of achievement

Who We Are

We are the innovator and representative of the "all-category + omni-channel" business model born in China's internet era, dedicated to providing high-quality, cost-effective products to mass-market consumers.

We have grown from a single-category nut brand into the largest domestic snack company in China in terms of retail sales value in 2024 and the fastest-growing snack company among the top five companies in terms of retail sales value CAGR between 2022 and 2024 in the industry, both according to CIC.

Our Core Strategy: Accessible Premium Products

Recently, China's well-developed online retail has thoroughly educated consumers — they are no longer blindly paying for brand premiums and are increasingly demanding high quality, differentiation, and better value for money.

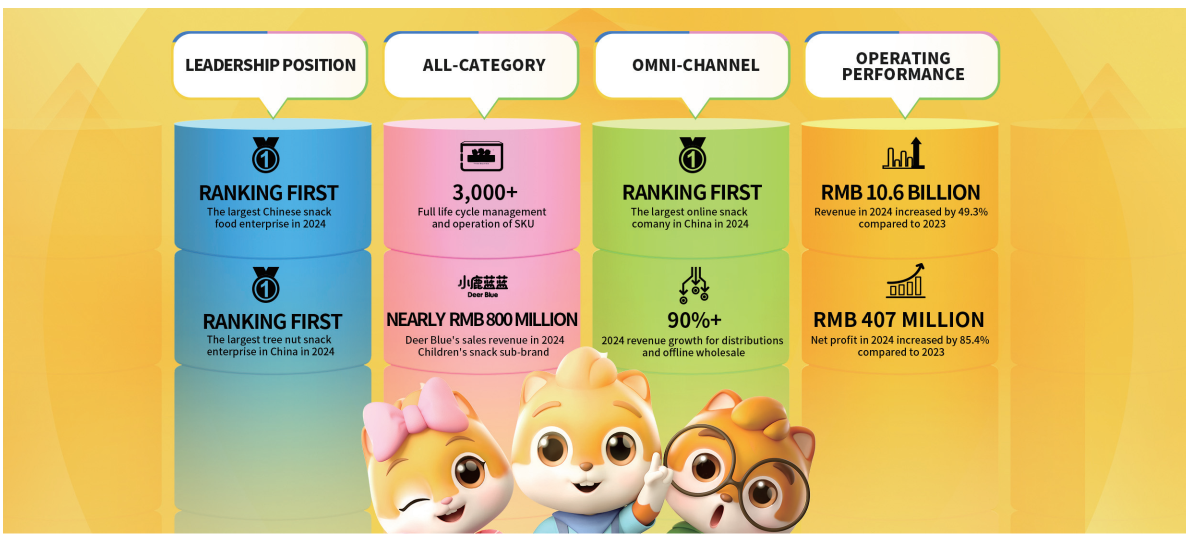
In response to this shift in consumer behavior, we have realized that our business strategy should move from brand premium-based positioning to overall cost leadership. Hence, we introduced our core strategy of "accessible premium products." The approach involves reorganizing and integrating all elements of the business operation across the entire value chain to offer a full range of quality products that fit all channels and ensure efficient delivery to the end user. This ultimately enables us to achieve overall cost leadership along the chain from us to the consumers, optimize the cost structure of our branded products and provide consumers with superior quality, uniqueness, variety and affordable pricing with the quality confidence of a leading brand.

Our Guiding Operating Principle: "All-Category + Omni-Channel"

As consumer shopping habits evolve, new offline retail models such as community retail, bulk-purchase snack stores and membership-based retail are emerging rapidly. These new models not only meet the needs for product variety and individualization but also offer price advantages and convenience. At the same time, consumption mindsets and preferences in lower-tier markets are quickly evolving. These shifts have prompted us to adjust our market strategy from a single e-commerce channel to a comprehensive omni-channel model that integrates both online and offline channels. Leveraging the product competitiveness brought by our "accessible premium products" strategy and our synergistic operations under the "D+N" model (short video + omni-channel), we have achieved rapid growth for our business across all channels and maximized our market coverage.

With this omni-channel approach, we have come to recognize that a single product category can no longer meet the diverse needs of consumers across various regions, channels and age groups. Furthermore, there are abundant unmet consumer needs and market opportunities in the process of product category upgrading. Therefore, we shifted from a traditional "star product" mindset to creating a "multi-product matrix across all categories." We offer a broad range of products — from snacks to children's food and beverages — that suit all channels and precisely meet the specific demands under the "accessible premium products" standard. In doing so, we continuously incubate new brands as categories evolve and differentiate.

Our "all-category + omni-channel" approach fulfills the tremendous unmet consumer demands. Compared to major brands, our products offer better value and variety. Compared to white-label products, we provide superior quality and stronger brand recognition. This has fueled our rapid revenue growth. At the same time, the scale and branding advantages brought by this model have created unique competitive barriers.



Our Business Model: Digitalized Managed Manufacturing-Oriented Branded FMCG Company

To effectively implement our "accessible premium products" strategy and address issues within the traditional supply chain — such as inefficiency and lack of coordination — we have upgraded our original e-commerce model into a manufacturing-oriented branded FMCG company. This model emphasizes end-to-end control from production to sales and leverages digitalized management to optimize the entire value chain, including operations, supply chain, and organizational structure. Through this approach, we have achieved both agile innovation in branded products and overall cost leadership.

Thanks to our internet-native origin, digitalized management is deeply embedded across various aspects of our operations, forming a unique competitive moat. It also provides a solid organizational backbone for our "all-category + omni-channel" expansion, significantly lowering the marginal cost of product category innovation. Among the top five snack companies in 2024, we are the only company operating as a digitalized managed manufacturing-oriented branded FMCG company.

Our end-to-end innovation achievements form a trio of pillars:

- "D+N" omni-channel operations
- "One Product, One Chain" digital supply chain
- "Integrated Product and Marketing" network-style organizational structure

Business Innovation — "D+N" Omni-Channel Synergistic Operation

Traditional enterprises often struggle with integrating online and offline operations, sometimes even creating internal conflicts. Our unique advantage lies in our "D+N" (short video + omni-channel) comprehensive and synergistic channel operating approach. We fully leverage short video platforms for their traffic and content marketing advantages, using online content to enhance brand momentum and empower the entire omni-channel system, encompassing e-commerce platforms, offline distributors and physical stores, to drive sales growth. At the same time, short video platforms serve as effective testing grounds for individual products. Through small-scale, rapid testing of new products, we can gauge market acceptance early on, reduce the product testing cycle, lower costs and improve product launch success rates.

From a digitalized management perspective, our information system allows us to detect and identify high-potential product categories based on real-time data trends. Product category development and channel sales teams promptly receive this data, allowing for quick product adaptation to changing channel demands. Additionally, our digitalized management system has evolved from slow, coarse-grained reporting cycles into real-time, fine-grained performance tracking across the entire value chain, including operations, supply chain and delivery. It enables daily feedback on operational and experience metrics by channel and category, guiding our teams to make faster and more informed decisions.

Supply Chain Innovation — "One Product, One Chain" Digital Supply Chain

To ensure superior quality and overall cost leadership, we implement a "One Product, One Chain" strategy from procurement and manufacturing to delivery. Each product category of suitable scale is supported by its own dedicated supply chain system, with a focus on optimizing the entire process — from raw material sourcing and production to final delivery to the consumers. We continue to source nuts, dried fruits, and some other snack ingredients directly from origin regions to enhance bargaining power through scale, reduce raw material costs and ensure higher quality. Additionally, we have established multi-category integrated supply bases in key regions such as Eastern China (Wuhu, Anhui), Northern China (Wuqing, Tianjin) and Southwestern China (Chengdu, Sichuan). These localized supply chains enhance our control over in-house manufacturing and help reduce logistics costs.

As part of our digitalized management, we've built a digital supply chain system called Cloud Manufacturing ("雲造"). This system quickly converts sales plans into production plans, enabling coordinated production across multiple regions and factories. It also supports order tracing and aggregation to optimize raw material usage and allocate manufacturing and logistics capacity efficiently. This results in a highly synergistic collaboration within the Squirrel supply chain ecosystem that delivers the freshest products and best user experience to our consumers. In parallel, we've developed an integrated digital supply chain collaboration platform that connects production, supply and sales. Powered by our data middle platform, our digital supply chain collaboration platform provides real-time "One Sale, One Chain" data dashboards for supply chain coordination by channel and product category, enhancing transparency across all operations and significantly improving visibility across each segment of the supply chain.

Organizational Innovation — "Integrated Product and Marketing" Networked Organization

As we navigated through business cycles, we fully leveraged our cognitive advantages stemming from the internet era and developed an organizational structure suited for the digital age. Through ongoing organizational transformation, we have completely moved away from the traditional hierarchical structure, instead creating 400 "small but beautiful" business units. Each of these agile units is composed of three to five employees, centered on the consumer and oriented toward market goals. They tightly integrate functions such as channel, R&D, and supply chain, forming a highly flat and networked organization. This structure energizes our employees and strengthens our organizational capabilities, laying a solid foundation for continued large-scale development.

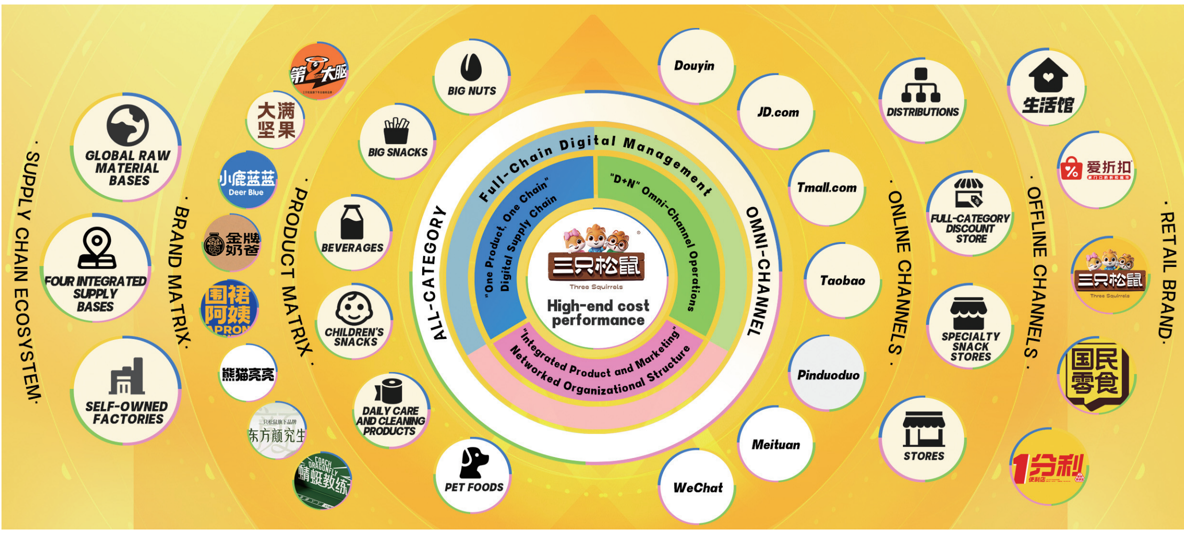
From a digitalized management perspective, we restructured our data middle platform in 2023 and launched an organizational collaboration and business management system called Flying Squirrel ("飛鼠"). This system enables rapid data extraction and modeling from our underlying business systems to deliver timely data services. Building on the data middle platform and Flying Squirrel, we developed a proprietary "Integrated Product & Marketing Ecosystem," empowering each "small but beautiful" unit to monitor external market data in real time, make data-driven decisions and validate market feedback, and coordinate operations, products and inventory with agility in response to market shifts. The digital system also helps us better evaluate the value created by each unit and determine whether each team member’s efforts are generating measurable impact.

Our Growth Path: A Flywheel Driven by Category Expansion and Channel Development

Under the “All-Category + Omni-Channel” business model, we do not focus on a single product category or a single channel but rather focus on continuous optimization and innovation across the entire value chain. We achieve this by following our “accessible premium products” approach to provide full-category products tailored to all channels, continuously nurture new categories and cultivate specialized new brands that emerge through channel differentiation. In recent years, we have achieved rapid development from nuts and snacks to multiple categories, including baked goods, children’s food and nut-based beverages, from online to integrated online and offline omni-channel, and from a single brand to a multi-brand matrix:

- **Continuous product category and brand matrix expansion.** We have successfully entered multiple high-potential segments: (i) in the children’s snack category, we launched the Deer Blue (小鹿藍藍) brand, which achieved RMB794.0 million in revenue in 2024 and became profitable as a standalone brand, growing into one of the top three children’s snack brands in China; (ii) in the beverage category, we launched co-branded nut milk and walnut milk products, achieving revenue of RMB206.8 million in 2024; (iii) we are incubating several sub-brands such as Golden Dad (金牌奶爸) for pet food, Auntie Apron (圍裙阿姨) for ready-to-cook meals, SuperStar (超大腕) for convenient instant meals, The Second Brain (第二大腦) for coffee, Dragonfly Coach (蜻蜓教練) for healthy light food, Oriental Beauty Researcher (東方顏究生) for Chinese wellness products and QOQOGO (巧克果) for chocolate.

- **Rapid coordinated development across all channels.** Building on our accumulated core competitiveness, we continue to grow in online channels. In 2024, our snack food sales ranked first on major e-commerce platforms such as Taobao, TMall and JD.com, and also topped emerging livestream e-commerce channels such as Douyin. In offline channels, through “D+N” omni-channel synergistic operations and by matching the right high-quality products to offline channels, we achieved rapid growth in offline channels, with revenue growth of 79.1% in 2024. Our offline channel sales growth was the highest among the top 5 snack companies in China in 2024. At the same time, we believe the development of China’s hard-discount retail and community-based retail sectors presents significant growth opportunities for us. Leveraging our full-product category supply chain foundation under the accessible premium products strategy, we are rapidly deploying full-category community discount stores.



The new product categories, omni-channel expansion and new brands we have successfully developed in recent years fully demonstrate the high scalability and reusability of our core capabilities. Ultimately, our goal is to build a growth flywheel driven by the mutual reinforcement of product category expansion and channel development and to become an all-category, omni-channel, fully integrated ecosystem-based platform. Through continuous innovation, we aim to support sustainable development in the future and fulfill our mission of "bringing great products to everyone."

OUR BRANDS AND PRODUCT OFFERING

We have two major brands:

- Three Squirrels is our primary and most established brand, under which we sell a comprehensive range of nuts, baked goods, snacks mix, meat products and dried fruits.
- Deer Blue is the most notable example of the growth and development of our ecosystem. We launched the Deer Blue brand in 2020 to focus on premium healthy snacks for children.

Our product offering includes nuts, baked goods, snacks mix, meat products and dried fruits. We have been actively anticipating and responding to changes in market demand and consumer preferences by continuously launching new products under our various brands. As of December 31, 2024, we offered over 1,000 SPUs, and we launched over 600 new SPUs in 2024, including over 80 SPUs for our nuts products, over 500 SPUs for our other snacks products and over 50 SPUs under the Deer Blue brand.

SALES NETWORK

We have a comprehensive sales network covering multiple sales channels, reaching consumers nationwide within China and enabling consumers to purchase our products with ease through their preferred channels. Our sales channels primarily include (i) short video platforms such as Douyin and Kuaishou; (ii) e-commerce platforms such as Tmall.com, JD.com and Pinduoduo; (iii) our offline stores, including our own stores and franchised stores; (iv) wholesale customers; and (iv) distributors.

RESEARCH AND DEVELOPMENT

Research and development ("**R&D**") are critical to our continued success and future operations. We focus our research and development efforts on both product R&D and technology or production related R&D where we research technologies and equipment that help to upgrade our production facilities or increase our production efficiencies. As of December 31, 2024, we had 139 full-time employees working on research and development, more than 79% of whom had a bachelor's degree or higher.

RAW MATERIALS AND SUPPLY CHAIN

The key ingredients used in our nut products are nuts such as macadamia, walnuts and pistachio. We primarily purchase these ingredients from South Africa, Australia and China. Apart from these key ingredients, we also need packaging materials such as~cardboard boxes and shrink wraps~ to produce our products.

Our supply chain operations are guided by the principle of "one product, one chain" whereby we have constructed tailored supply chains for each of our main products, which allows us to achieve optimal operational efficiencies and cost savings and enables our rapid expansion into new product categories.

PRODUCTION

We currently produce a substantial majority of our nuts products in our own factories and our other snacks products through our OEM partners. This allows us to bring products to market in a short period of time and rapidly adapt to market changes. Meanwhile, in-house production strengthens our ability to effectively manage production costs and closely control our product quality, which in turn is fundamental in our accessible premium products strategy and proposition.

OUR CUSTOMERS AND SUPPLIERS

Our customers are primarily end consumers, e-commerce platforms, distributors, franchisees and wholesale customers. In 2022, 2023 and 2024, sales to our five largest customers amounted to RMB2,287.8 million, RMB1,811.7 million and RMB2,104.0 million, accounting for 31.4%, 25.5% and 19.8% of our total sales in the respective periods. In 2022, 2023 and 2024, sales to our largest customer amounted to RMB1,611.2 million, RMB1,145.3 million and RMB1,339.5 million, accounting for 22.1%, 16.1% and 12.6% of our total sales in the respective periods.

Our major suppliers are suppliers of raw materials as well as our OEM partners. We have established and maintain stable and long-term relationships with our major suppliers to ensure the stability of supplies. Our purchase amount from our five largest suppliers accounted for less than 30.0% of our total purchase amount for each of 2022, 2023 and 2024.

COMPETITION

We operate in a highly competitive market, and we mainly compete with other FMCG companies, particularly in snacks. Our ability to maintain and grow our market share depends on us competing effectively against our competitors. The competitive landscape is shaped by multiple factors, including consumer trends and preferences, pricing and value perception, distribution channels, digitalization capabilities, branding appeal, product innovation and general economic conditions. Despite various entry barriers, new market participants may emerge, introducing innovative and attractive products that challenge existing players. If we are unable to keep pace with such advancements or fail to differentiate our products in terms of quality or cost, we risk losing market share to our competitors. See "Industry Overview" for details relating to our competitive landscape.

COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and will continue to drive our future growth:

- A Fast-Growing, "All-Category + Omni-Channel" Manufacturing-Oriented Branded FMCG Company in China;
- "All-Category + Omni-Channel" Strategy to Better Seize the Opportunities from Retail Industry Transformation;
- "One Product, One Chain" Digital Supply Chain Strategy to Ensure Quality and Overall Cost Leadership;
- "Integration of Product and Marketing" Networked Organization and Digitalized Management to Enable Agile Innovation; and
- Visionary Leadership Team That Continuously Empowering Business Partners

DEVELOPMENT STRATEGIES

We will pursue the following strategies to drive further growth:

- Further Strengthen Offline Distribution Network to Reach More Consumers;
- Continuously Incubate New Product Categories and Specialized New Brands through Core Capability Replication;
- Further Invest in Supply Chain and Digital Infrastructure; and
- Engage in Horizontal and Vertical Strategic Investments or Acquisitions

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables sets forth summary financial data from our consolidated financial information during the Track Record Period. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements as set out in the Accountants' Report in Appendix I to this Document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Results of Operations

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Revenue	**7,293,158**	**100.0%**	**7,114,576**	**100.0%**	**10,622,053**	**100.0%**
Cost of sales	(5,379,964)	(73.8%)	(5,499,887)	(77.3%)	(8,096,410)	(76.2%)
Gross profit	**1,913,194**	**26.2%**	**1,614,689**	**22.7%**	**2,525,643**	**23.8%**
Other income	162,400	2.2%	207,326	2.9%	157,540	1.5%
Other gains and losses, net	11,584	0.2%	2,041	—	3,638	—
Impairment losses (recognised)/reversed under expected credit loss ("**ECL**") model, net	(4,150)	0.1%	5,063	0.1%	(1,614)	—
Distribution and selling expenses	(1,532,842)	(21.0%)	(1,237,517)	(17.4%)	(1,867,665)	(17.6%)
Administrative expenses	(298,882)	(4.1%)	(243,385)	(3.4%)	(244,283)	(2.3%)
Research and development costs	(38,439)	(0.5%)	(24,919)	(0.4%)	(28,390)	(0.3%)
Finance costs	(13,494)	(0.2%)	(10,071)	(0.1%)	(9,317)	—
Share of results of associates	1,121	—	409	—	1,817	—
Profit before taxation	**200,492**	**2.7%**	**313,636**	**4.4%**	**537,369**	**5.1%**
Income tax expense	(71,092)	(1.0%)	(93,847)	(1.3%)	(129,896)	(1.2%)
Profit for the year	**129,400**	**1.8%**	**219,789**	**3.1%**	**407,473**	**3.8%**
Profit/(loss) attributable to:						
— Owners of the Company	129,400	1.8%	219,789	3.1%	407,736	3.8%
— Non-controlling interests	—	—	—	—	(263)	—

Non-IFRS Measure

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted profit for the year (a non-IFRS measure) and adjusted net margin (a non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impact of certain items. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated financial statements in the same manner as they help our management. However, our presentation of adjusted profit for the year (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) may not be comparable to similar item measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our consolidated financial statements or financial condition as reported under IFRS. We define adjusted profit for the year (a non-IFRS measure) as profit for the year adjusted for share-based compensations (a non-cash item). We define adjusted net margin (a non-IFRS measure) as adjusted profit for the year (a non-IFRS measure) as a percentage of our total revenue.

	2022	2023	2024
	(in thousands, except for percentages)		
Profit for the year/period	**129,400**	**219,789**	**407,473**
Add:			
Share-based compensation	56,977	44,671	35,816
Adjusted profit/(loss) for the year/period (a non-IFRS measure)	**186,377**	**264,460**	**443,289**
Adjusted net margin (a non-IFRS measure)	**2.6%**	**3.7%**	**4.2%**

In 2024, we recorded an adjusted profit for the period (a non-IFRS measure) of RMB443.3 million and an adjusted net margin (a non-IFRS measure) of 4.2%, as compared with an adjusted profit for the year (a non-IFRS measure) of RMB264.5 million and an adjusted net margin (a non-IFRS measure) of 3.7% in 2023, primarily due to growth in our sales of nuts and snack mixes.

See "Financial Information — Non-IFRS Measure."

Revenue

During the Track Record Period, we mainly generated revenue from sales of a variety of food snacks, comprising nuts, baked goods, meat products, snack mixes and dried fruits.

By product category

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Nuts	4,107,308	56.3%	3,812,385	53.6%	5,366,197	50.5%
Baked goods	1,134,470	15.6%	1,085,802	15.3%	1,501,191	14.1%
Snack mixes	872,663	12.0%	1,090,114	15.3%	2,017,415	19.0%
Meat products	696,340	9.5%	599,793	8.4%	960,785	9.1%
Dried fruits	338,086	4.6%	349,867	4.9%	582,486	5.5%
Others[1]	144,931	2.0%	176,615	2.5%	193,979	1.8%
Total	**7,293,158**	**100%**	**7,114,576**	**100%**	**10,622,053**	**100%**

Note:

(1) Others primarily include sales of raw materials for nuts snacks and licensing fees.

By sales channel

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in RMB thousands, except for percentages)					
E-commerce platforms — consumers	4,071,920	55.8%	3,543,964	49.8%	4,392,040	41.3%
E-commerce platforms — wholesale	375,872	5.2%	299,638	4.2%	380,124	3.6%
Short video platforms	716,538	9.8%	1,407,281	19.8%	2,634,742	24.8%
Offline stores	944,357	12.9%	358,442	5.0%	403,696	3.8%
Offline distributors	821,085	11.3%	774,765	10.9%	1,479,863	13.9%
Wholesale customers	277,304	3.8%	566,584	8.0%	1,161,013	10.9%
Other channels	86,081	1.2%	163,902	2.3%	170,575	1.6%
Total	**7,293,158**	**100.0%**	**7,114,576**	**100.0%**	**10,622,053**	**100.0%**

Our revenue decreased by 2.4% from RMB7,293.2 million in 2022 to RMB7,114.6 million in 2023 primarily due to decreased sales of nuts products and decreased sales of meat products. Our revenue increased by 49.3% from RMB7,114.6 million in 2023 to RMB10,622.1 million in 2024 primarily due to increased sales across our product portfolio, most notably increased sales in nuts and snack mixes.

Gross Profit and Gross Profit Margin

By product category

	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(in RMB thousands, except for percentages)					
Nuts	1,067,691	26.0%	879,076	23.1%	1,286,766	24.0%
Baked goods	280,894	24.8%	218,815	20.2%	318,552	21.2%
Snack mixes	288,488	33.1%	319,345	29.3%	584,506	29.0%
Meat products	159,027	22.8%	113,202	18.9%	196,061	20.4%
Dried fruits	80,023	23.7%	74,594	21.3%	113,832	19.5%
Others	37,071	25.7%	9,657	5.5%	25,926	13.4%
Total/Overall	**1,913,194**	**26.2%**	**1,614,689**	**22.7%**	**2,525,643**	**23.8%**

By sales channel

	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(in RMB thousands, except for percentages)					
E-commerce platforms — consumers	1,072,664	26.3%	735,478	20.8%	953,813	21.7%
E-commerce platforms — wholesale	92,800	24.7%	60,246	20.1%	81,477	21.4%
Short video platforms	219,290	30.6%	444,820	31.6%	820,181	31.1%
Offline stores	273,006	28.9%	80,867	22.6%	39,764	9.9%
Offline distributors	179,611	21.9%	166,413	21.5%	285,301	19.3%
Wholesale customers	39,269	14.2%	94,332	16.6%	291,667	25.1%
Other channels	36,555	42.5%	32,532	19.8%	53,442	31.3%
Total	**1,913,194**	**26.2%**	**1,614,689**	**22.7%**	**2,525,644**	**23.8%**

Our gross profit decreased by 15.6% from RMB1,913.4 million in 2022 to RMB1,614.7 million in 2023, as we stayed committed to our strategy of accessible premium products, despite the rising raw material prices and higher transportation costs when we readjusted our warehousing and transportation logistics in 2023. Our gross profit increased by 56.4% from RMB1,614.7 million in 2023 to RMB2,525.6 million in 2024, as our revenue increased and as we continued to enhance our supply chain by establishing centralized supply chain bases across China and sourcing raw materials directly from their places of origins.

See "Financial Information — Year-on-Year Comparison of Results of Operations."

Profit for the year

Our profit for the year increased by 69.9% from RMB129.4 million to RMB219.8 million in 2023, and further increased by 85.4% to RMB407.5 million in 2024.

Financial Position

	As of December 31,			As of February 28,
	2022	2023	2024	2025
	RMB'000			
Current assets				
Inventories	1,071,018	1,387,640	2,083,456	787,105
Trade and other receivables, deposits and prepayments	669,859	1,008,497	1,101,169	1,140,218
Income tax recoverable	41,451	195	8,427	5,732
Financial assets at fair value through profit or loss ("FVTPL")	20,243	19,629	—	50,300
Other financial assets	—	170,048	11,407	11,407
Time deposits	1,364,983	1,445,785	1,230,464	958,749
Restricted bank balances	10,039	13,117	12,328	10,258
Cash and cash equivalents	139,443	282,439	800,926	588,399
Total current assets	**3,317,036**	**4,327,350**	**5,248,177**	**3,552,168**
Current liabilities				
Trade and other payables	1,471,125	2,050,012	2,921,680	1,414,096
Contract liabilities	260,781	295,416	348,390	31,458
Refund liabilities	2,545	3,055	5,767	5,753
Income tax payable	25,895	42,959	43,996	106,976
Borrowings	50,672	354,652	434,510	231,750
Lease liabilities	34,754	14,175	27,555	18,481
Total current liabilities	**1,845,772**	**2,760,269**	**3,781,898**	**1,808,514**
Net current assets	**1,471,264**	**1,567,081**	**1,466,279**	**1,743,654**

Our net current assets increased from RMB1,466.3 million as of December 31, 2024 to RMB1,743.7 million as of February 28, 2025, primarily due to a decrease in trade and other payables, partially offset by a decrease in inventories and an increase in income tax payable.

Our net current assets decreased from RMB1,567.1 million as of December 31, 2023 to RMB1,466.3 million as of December 31, 2024, primarily due to an increase in borrowings and trade and other payables and a decrease in other financial assets and time deposits, partially offset by an increase in cash and cash equivalents and inventories.

Our net current assets increased from RMB1,471.3 million as of December 31, 2022 to RMB1,567.1 million as of December 31, 2023, primarily due to an increase in inventories and trade and other receivables, deposits and prepayments and a decrease in lease liabilities, partially offset by a decrease in income tax recoverable and an increase in borrowings and trade and other payables.

Cash Flows

	2022	2023	2024
		RMB'000	
Operating cash flows before movements in working capital	367,720	408,986	663,916
Changes in working capital	94,980	(45,815)	69,895
Income tax paid	(119,745)	(62,951)	(159,235)
Net cash from operating activities	342,955	300,220	574,576
Net cash (used in)/generated from investing activities	(125,556)	(259,079)	94,004
Net cash generated (used in)/from financing activities	(435,690)	101,855	(150,093)
Net (decrease)/increase in cash and cash equivalents	**(218,291)**	**142,996**	**518,487**
Cash and cash equivalents at beginning of the year/period	357,734	139,443	282,439
Effect of foreign exchange rate changes	—	—	—
Cash and cash equivalents at ending of the year/period	**139,443**	**282,439**	**800,926**

In 2022, 2023 and 2024, we recorded net cash from operating activities of RMB343.0 million, RMB300.2 million and RMB574.6 million, respectively, primarily due to the profits we generated in each of the respective years, which in turn was due to our successful business expansion.

See "Financial Information — Cash Flows."

Key Financial Ratios

	For the year ended/as of December 31,		
	2022	2023	2024
Gross profit margin(1)	26.2%	22.7%	23.8%
Net profit margin(2)	1.8%	3.1%	3.8%
Return on assets(3)	2.7%	4.4%	6.6%
Return on equity(4)	5.6%	9.0%	15.2%
Current ratio(5)	1.8	1.6	1.4
Quick ratio(6)	1.2	1.1	0.8
Gearing ratio(7)	10.7%	19.1%	15.3%

Notes:

(1) Gross profit margin is calculated as gross profit for the year/period divided by revenue for the corresponding year/period and multiplied by 100%.

(2) Net profit margin is calculated as net profit for the year/period divided by revenue for the corresponding year/period and multiplied by 100%

(3) Return on assets is calculated as net profit for the year divided by the average total assets and multiplied by 100%. Average total assets is the sum of the balance of total assets at the beginning and at the end of the year, divided by two.

(4) Return on equity is calculated as net profit for the year divided by the average total equity and multiplied by 100%. Average total equity is the sum of the balance of total equity at the beginning and at the end of the year, divided by two.

(5) Current ratio is calculated as total current assets as at the end of the year/period divided by total current liabilities as at the end of the corresponding year/period.

(6) Quick ratio is calculated as total current assets less inventories as at the end of the year/period and divided by total current liabilities as at the end of the corresponding year/period.

(7) Gearing ratio is calculated as the total bank loans as at the end of the year/period divided by total equity as at the end of the corresponding year/period and multiplied by 100%.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Zhang controlled approximately 42.04% of the total issued Shares, comprising approximately 40.37% direct interest and approximately 1.67% indirect interest through Liaoyuan Investment, a company controlled by Mr. Zhang. See "History, Development and Corporate Structure" for the corporate structure of the Group. Liaoyuan Investment was primarily engaged in investment holding as of the Latest Practicable Date.

Immediately following the completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), Mr. Zhang will control approximately **[REDACTED]** of the total issued Shares, comprising approximately **[REDACTED]** direct interest and approximately **[REDACTED]** indirect interest through Liaoyuan Investment. Accordingly, Mr. Zhang and Liaoyuan Investment are and will continue to be a group of Controlling Shareholders upon the **[REDACTED]**.

For more details, see "Relationship with Our Controlling Shareholders."

RISK FACTORS

We face risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our **[REDACTED]**. Some of the major risks that we face include:

- We may face negative publicity, damage to our brand reputation, or unable to effectively promote our brand;
- We face intense competition in our industry;
- Demand for our products is affected by changing customers' tastes, preferences, and spending habits;
- We may not be able to manage our multi-channel sales network effectively;
- Product quality is critical to our business operations and sustained growth;
- The use of third-party factories to manufacture certain of our products presents risks to our business;
- We may experience disruptions or delays in our production; and
- We may face shortages, price fluctuations or quality issues relating to raw materials or disruptions in the supply of raw materials.

FUTURE PLANS AND USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the midpoint of the range of the **[REDACTED]** stated in this Document), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses in connection with the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). We intend to use our **[REDACTED]** for the purposes and in the amounts set forth below.

- Approximately **[REDACTED]**, or HK$**[REDACTED]**, will be used to strengthen our supply chain;
- Approximately **[REDACTED]**, or HK$**[REDACTED]**, will be used to strengthen our sales network and brand awareness;
- Approximately **[REDACTED]**, or HK$**[REDACTED]**, will be used to broaden or product portfolio and brand matrix;

- Approximately **[REDACTED]**, or HK$**[REDACTED]**, will be used for strategic alliances and acquisitions in our industry value chain;
- Approximately **[REDACTED]**, or HK$**[REDACTED]**, will be used for working capital and other general corporate purposes.

[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 **[REDACTED]** in the **[REDACTED]**, (ii) the **[REDACTED]** for the **[REDACTED]** are not exercised, and (iii) **[REDACTED]** Shares are **[REDACTED]** and outstanding following the completion of the **[REDACTED]**:

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]
[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 **[REDACTED]** of our Shares is based on **[REDACTED]** H Shares expected to be **[REDACTED]** and 401,000,000 A Shares in issue (representing in aggregate **[REDACTED]** Shares expected to be in issue) immediately following the completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**). For details, see "Share Capital — Upon Completion of the **[REDACTED]**" in this Document.

(2) The unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis of **[REDACTED]** Shares in total, assuming that the **[REDACTED]** of **[REDACTED]** new shares had been completed on 31 December 2024. It does not take into account any shares which may be **[REDACTED]** and **[REDACTED]** pursuant to the exercise of the **[REDACTED]** or any shares which may be issued or repurchased by the Company pursuant to the Company's general mandate. For the purpose of this unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share, the amount stated in RMB is converted into HK$ at an exchange rate of RMB1.0 to HK$[1.0772], which was the exchange rate prevailing on 18 [April] 2025 with reference to the rate published by the People's Bank of China. No representation is made that RMB amounts have been, could have been or may be converted to HK$, or vice versa, at that rate or any other rates or at all.

For the calculation of the unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share, see the section headed "Unaudited **[REDACTED]** Statement of Adjusted Consolidated Net Tangible Assets" in Appendix II to this Document.

[REDACTED]

[REDACTED] represent professional fees, **[REDACTED]** and fees incurred in connection with the **[REDACTED]** and the **[REDACTED]**. Our **[REDACTED]** are estimated to be approximately HK$**[REDACTED]** (including **[REDACTED]**), accounting for **[REDACTED]** of the gross **[REDACTED]** of the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the **[REDACTED]** range stated in this Document, and no exercise of the **[REDACTED]**). Among our **[REDACTED]**, approximately HK$**[REDACTED]** is directly attributable to the issuance of H Shares and will be charged to equity upon completion of the **[REDACTED]**, and approximately HK$**[REDACTED]** has been or will be charged to our consolidated statements of profit or loss and other comprehensive income. The **[REDACTED]** we incurred during the Track Record Period and expect to incur would consist of approximately HK$**[REDACTED]** **[REDACTED]** expenses and fees (including but not limited to **[REDACTED]** and fees), approximately HK$**[REDACTED]** **[REDACTED]** expenses and fees of the Sole Sponsor, legal advisers and reporting accountant and approximately HK$**[REDACTED] for other [REDACTED]** fees and expenses.

The **[REDACTED]** above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DIVIDEND

In 2022, 2023 and 2024, our Company declared dividends of RMB90.6 million, RMB64.3 million and RMB150.2 million, all of which had been paid in full. See Note 12 to the Accountants' Report included in Appendix I to this Document for details.

We do not have a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

See "Financial Information — Dividend Policy."

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGES

Our Directors confirmed that, as of the date of this Document, there has been no material adverse change in our financial position since December 31, 2024, and there has been no event since December 31, 2024 that would materially affect the information as set out in the Accountants' Report in Appendix I to this Document.

In this Document, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below.

"**A share(s)**"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in Renminbi
"**Accountants' Report**"	the accountants' report of our Company, the text of which is set out in Appendix I to this Document
"**affiliate(s)**"	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**"	Accounting and Financial Reporting Council
"**Anhui Xiaolulanlan**"	Anhui Xiaolulanlan Infant and Child Food Company Limited* (安徽小鹿藍藍嬰童食品有限公司), a limited liability company incorporated under the laws of the PRC on April 17, 2020, and a wholly-owned subsidiary of the Company
"**Articles**" or "**Articles of Association**"	the articles of association of our Company with effect upon the **[REDACTED]** (as amended from time to time), a summary of which is set out in Appendix III to this Document
"**associate(s)**"	has the meaning ascribed thereto under the Listing Rules
"**Audit Committee**"	the audit committee of the Board
"**Board**" or "**Board of Directors**"	the board of Directors of the Company
"**Business Day**"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"**CAC**"	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
"**CAGR**"	compound annual growth rate
"**[REDACTED]**"	**[REDACTED]**

"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**China**", "**mainland China**", or "**the PRC**"	the People's Republic of China, unless the context requires otherwise, excluding, for the purposes of this Document only, the regions of Hong Kong, Macau and Taiwan of the People's Republic of China
"**CIC**"	China Insights Industry Consultancy Limited, an independent market research and consulting company
"**close associate(s)**"	has the meaning ascribed thereto under the Listing Rules
"**Companies Ordinance**"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"**Companies (Winding Up and Miscellaneous Provisions) Ordinance**"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"**Company**" or "**our Company**"	Three Squirrels Inc. (三隻松鼠股份有限公司), formerly known as Anhui Three Squirrels E-commerce Co., Ltd.* (安徽三隻松鼠電子商務有限公司), a joint stock company with limited liability established in the PRC on February 16, 2012, the A Shares of which have been listed on the Shenzhen Stock Exchange (stock code: 300783)
"**Compliance Adviser**"	Gram Capital Limited
"**connected person(s)**"	has the meaning ascribed thereto under the Listing Rules
"**connected transaction(s)**"	has the meaning ascribed thereto under the Listing Rules
"**Controlling Shareholder(s)**"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Zhang and Liaoyuan Investment
"**core connected person(s)**"	has the meaning ascribed thereto under the Listing Rules
"**Corporate Governance Code**"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules

DEFINITIONS

"**CSDC**"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"**CSRC**"	China Securities Regulatory Commission (中國證券監督管理委員會)
"**Director(s)**" or "**our Director(s)**"	the director(s) of our Company
"**EIT**"	enterprise income tax
"**EIT Law**"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
"**ESG**"	Environmental, Social and Governance
"**[REDACTED]**"	**[REDACTED]**
"**Extreme Conditions**"	extreme conditions as announced by the government of Hong Kong caused by a super typhoon or other natural disaster
"**[REDACTED]**"	**[REDACTED]**
"**FMCG**"	"Fast Moving Consumer Goods", consumer products with a short usage lifespan and rapid consumption rate, typically purchased frequently for daily use
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**

"**Group**", "**our Group**", "**our**", "**we**", or "**us**"	our Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by our Company and/or its subsidiaries and their predecessors (if any)
"**Guide**" or "**Guide for New Listing Applicants**"	the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange effective from January 1, 2024, as amended, supplemented or otherwise modified from time to time
"**H Share(s)**"	**[REDACTED]** ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be **[REDACTED]** for and **[REDACTED]** in Hong Kong dollars and to be **[REDACTED]** on the Hong Kong Stock Exchange
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**

DEFINITIONS

"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**Hong Kong**" or "**HK**"	the Hong Kong Special Administrative Region of the PRC
"**Hong Kong dollars**" or "**HK$**"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**Hong Kong Stock Exchange**" or "**Stock Exchange**"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**IFRSs**"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by IASB and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)

"**IIT Law**"	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)
"**Independent Third Party(ies)**"	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]s**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**KOL(s)**"	key opinion leader(s)
"**Latest Practicable Date**"	April 18, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication

"**Liaoyuan Investment**"	Anhui Liaoyuan Investment Management Company Limited* (安徽燎原投資管理有限公司), a limited liability company established under the laws of the PRC on June 30, 2015, one of our Controlling Shareholders
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**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)
"**Macau**"	the Macau Special Administrative Region of the PRC
"**Main Board**"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the GEM of the Hong Kong Stock Exchange
"**MOF**"	Ministry of Finance of the PRC (中華人民共和國財政部)
"**Mr. Zhang**"	Mr. Zhang Liaoyuan (章燎源), one of our Controlling Shareholders, our executive Director, chairman of the Board and general manager
"**Nomination Committee**"	the nomination committee of the Board
"**OEM**"	original equipment manufacturer
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**

"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"**Overseas Listing Trial Measures**"	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and seven supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及七項配套指引) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023
"**PBOC**"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"**PRC Company Law**"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"**PRC GAAP**"	generally accepted accounting principles of the PRC
"**PRC Legal Adviser**"	Zhong Lun Law Firm, the PRC legal adviser to our Company
"**PRC Securities Law**"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"**[REDACTED]**"	**[REDACTED]**

"**[REDACTED]**"	**[REDACTED]**
"**Regulation S**"	Regulation S under the U.S. Securities Act
"**Remuneration and Appraisal Committee**"	the remuneration and appraisal committee of the Board
"**RMB**" or "**Renminbi**"	Renminbi, the lawful currency of the PRC
"**SAFE**"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"**SAMR**"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"**SAT**"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"**Securities and Futures Commission**" or "**SFC**"	the Securities and Futures Commission of Hong Kong
"**SFO**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"**Share(s)**"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, including H Shares and A Shares
"**Shareholder(s)**"	holder(s) of the Share(s)
"**Share Schemes**"	the share schemes adopted by our Company, including the 2021 Business Partner Stock Ownership Scheme, 2024 Employee Stock Ownership Scheme and 2024 Stock Option Incentive Plan
"**SKU**"	"Stock Keeping Unit", the smallest measurable unit used in inventory control, typically quantified in discrete units such as pieces, boxes, pallets, etc
"**Sole Sponsor**"	CITIC Securities (Hong Kong) Limited
"**Songguo Investment**"	Anhui Songguo Investment Management Center (Limited Partnership)* (安徽松果投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC on December 1, 2016

"**Songguo No.1**"	Anhui Songguo No.1 Investment Management Center (Limited Partnership)* (安徽松果一號投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC on November 24, 2016
"**Songguo No.2**"	Wuhu Songguo No.2 Investment Management Center (Limited Partnership)* (蕪湖松果二號投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC on November 24, 2016, formerly known as Anhui Songguo No.2 Investment Management Center (Limited Partnership)* (安徽松果二號投資管理中心(有限合夥))
"**Songguo No.3**"	Wuhu Songguo No.3 Investment Management Center (Limited Partnership)* (蕪湖松果三號投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC on November 24, 2016, formerly known as Anhui Songguo No.3 Investment Management Center (Limited Partnership)* (安徽松果三號投資管理中心(有限合夥))
"**Songguo No.4**"	Wuhu Songguo No.4 Investment Management Center (Limited Partnership)* (蕪湖松果四號投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC on November 24, 2016, formerly known as Anhui Songguo No.4 Investment Management Center (Limited Partnership)* (安徽松果四號投資管理中心(有限合夥))
"**Songguo No.5**"	Wuhu Songguo No.5 Investment Management Center (Limited Partnership)* (蕪湖松果五號投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC on November 24, 2016, formerly known as Anhui Songguo No.5 Investment Management Center (Limited Partnership)* (安徽松果五號投資管理中心(有限合夥))
"**SPU**"	"Standard Product Unit", the fundamental unit for aggregating product information, comprising a standardized set of reusable and easily retrievable data that defines a product's core attributes
"**Squirrel Cloud Supply**"	Squirrel Cloud Supply International Trading Company Limited* (松鼠雲供國際貿易有限公司), a limited liability company incorporated under the laws of the PRC on April 2, 2020, and a wholly-owned subsidiary of the Company
"**Squirrel Entertainment**"	Anhui Squirrel Entertainment Co., Ltd* (安徽松鼠娛樂有限公司), a limited liability company established under the laws of the PRC on February 10, 2017

"**Squirrel Town**"	Anhui Squirrel Town Investment Management Center (Limited Partnership)* (安徽松鼠小鎮投資管理中心(有限合夥)), a limited partnership established under the laws of the PRC on January 25, 2017
"**[REDACTED]**"	**[REDACTED]**
"**State Council**"	the State Council of the PRC (中華人民共和國國務院)
"**Strategy Committee**"	the strategy committee of the Board
"**subsidiary(ies)**"	has the meaning ascribed thereto under the Listing Rules
"**substantial shareholder(s)**"	has the meaning ascribed thereto under the Listing Rules
"**Takeovers Code**" or "**Hong Kong 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
"**Three Squirrels (Wuhu) Enterprise Management**"	Three Squirrels (Wuhu) Enterprise Management Company Limited* (三隻松鼠(蕪湖)企業管理有限公司), a limited liability company incorporated under the laws of the PRC on April 10, 2020, and a wholly-owned subsidiary of the Company
"**Three Squirrels (Nanjing) Enterprise Management**"	Three Squirrels (Nanjing) Enterprise Management Company Limited* (三隻松鼠(南京)企業管理有限公司), a limited liability company incorporated under the laws of the PRC on June 24, 2019, and a wholly-owned subsidiary of the Company
"**Three Squirrels Nut Smart Manufacturing**"	Three Squirrels (Wuhu) Nut Smart Manufacturing Company Limited* (三隻松鼠(蕪湖)堅果智造有限公司), a limited liability company incorporated under the laws of the PRC on August 25, 2022, and a wholly-owned subsidiary of the Company
"**Three Squirrels Wuwei**"	Three Squirrels (Wuwei) Company Limited* (三隻松鼠(無為)有限責任公司), a limited liability company incorporated under the laws of the PRC on April 5, 2017, and a wholly-owned subsidiary of the Company
"**Track Record Period**"	the financial years ended December 31, 2022, 2023 and 2024
"**treasury shares**"	has the meaning ascribed thereto under the Listing Rules
"**[REDACTED]**"	**[REDACTED]**

DEFINITIONS

"**[REDACTED]**"	**[REDACTED]**
"**United States**" or "**U.S.**"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"**U.S. dollar(s),**" "**US$**" or "**USD**"	United States dollar, the lawful currency of the United States
"**U.S. Securities Act**"	The U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"**VAT**"	value-added tax
"**Wanwu Connect Logistics Technology**"	Wanwu Connect (Anhui) Logistics Technology Company Limited* (萬物連通(安徽)物流科技有限公司), a limited liability company incorporated under the laws of the PRC on April 9, 2020, and a wholly-owned subsidiary of the Company
"**Zhongchuang Food Inspection**"	Anhui Zhongchuang Food Inspection Company Limited* (安徽中創食品檢測有限公司), a limited liability company incorporated under the laws of the PRC on May 30, 2014, and a wholly-owned subsidiary of the Company
"**%**"	per cent
"**2021 Business Partner Stock Ownership Scheme**"	the 2021 business partner stock ownership scheme adopted in July 2021, the principal terms of which are set out in "Statutory and General Information — Share Schemes — 2021 Business Partner Stock Ownership Scheme" in Appendix IV to this Document
"**2024 Employee Stock Ownership Scheme**"	the 2024 employee stock ownership scheme adopted in May 2024, the principal terms of which are set out in "Statutory and General Information — Share Schemes — 2024 Employee Stock Ownership Scheme" in Appendix IV to this Document
"**2024 Stock Option Incentive Plan**"	the 2024 stock option incentive plan adopted in May 2024, the principal terms of which are set out in "Statutory and General Information — Share Schemes — 2024 Stock Option Incentive Plan" in Appendix IV to this Document

DEFINITIONS

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, nature persons or other entities (including our subsidiaries) 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.

Unless otherwise stated, 270,700 repurchased A Shares which are held as treasury shares by the Company as of the Latest Practicable Date have been included in the total number of issued shares of the Company as of the Latest Practicable Date and immediately after completion of the **[REDACTED]**.

* *For identification purpose only*

FORWARD-LOOKING STATEMENTS

We have included in this Document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. When used in this Document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "ought to", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedule", and the negative of these words and other similar expressions, as they relate to us 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 risk factors as described in this Document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our franchisees and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain our market position;
- the actions and developments of our competitors;
- our ability to effectively contain costs and optimize pricing;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies;
- the effectiveness of our quality control systems;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; and
- capital market developments.

FORWARD-LOOKING STATEMENTS

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized;

Subject to the requirements of applicable laws, rules and regulations, we do not have any or undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors";

In this Document, statements of or references to our intentions or those of our Directors were made as of the date of this Document. Any such information may change in light of future developments; and

An investment in our H Shares involves a high degree of risk. You should carefully consider the following information about risks, together with the other information contained in this Document, including our consolidated financial statements and related notes, before you decide to buy our H Shares. If any of the circumstances or events described below actually arises or occurs, our future prospects, business, results of operations and financial condition may suffer. In any such case, the market price of our H Shares could decline and you may lose all or part of your investment. This Document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below.

We may face negative publicity, damage to our brand reputation, or unable to effectively promote our brand.

Brand image is a key factor in consumer purchase decisions. We believe that our success depends substantially on the popularity and appeal of our brands, including in particular our Three Squirrels brand, and our reputation for providing accessible premium products. Therefore, maintaining and enhancing the recognition and image of our brands is critical to our ability to differentiate our products and to compete effectively. Any concern about product quality, even if unfounded, could tarnish the image and reputation of our brands and products. Restoring the image and reputation of our brands and products may be costly and may not be possible.

Any event that materially damages the reputation of one or more of our brands could have an adverse effect on the value of that brand and subsequent revenues from that brand or business. In addition, as some of the brands that we have recently developed or are currently developing are marketed under the Three Squirrels brand, any damage to their brand image or reputation could also harm the brand value of our Three Squirrels brand.

Our brand image also depends on our ability to respond to competitive pressures. If we fail to do so, the value of our brands or reputation may be diminished and our business and results of operations may be materially and adversely affected. Furthermore, as we continue to grow in size and expand our product offerings, maintaining product quality and consistency may be more challenging and we cannot assure you that we can maintain our customers' confidence in our brands. If consumers perceive or experience a reduction in the quality of our products or customer service or consider in any way that we fail to consistently deliver accessible premium products, the value of our brands could suffer, which could have a material and adverse effect on our business. In addition, any negative publicity or disputes regarding our brands, products, customer service or our Directors or senior management could also materially harm the images of our brands.

We face intense competition in our industry.

Our industry is, and will continue to be, highly competitive. We primarily compete with other snacks brands. As we expand our product offerings, we will also compete with other companies in the respective fields. Our competitors may have significantly more financial, technical, marketing or other resources than we have, and may devote greater resources to develop, promote and support their products. In addition, they may have more extensive industry relationships, longer operating histories and greater brand recognition than we have, especially in industries that we have only recently expanded into or plan to enter. As a result, these competitors may respond more quickly to changes in consumer tastes and trends.

In addition to existing competitors, the increasing use of digital technology, social media and the internet to spark consumer interest has further increased the ability for new participants to enter our markets and has broadened the array of companies we compete with. New participants may gain access to consumers and become a significant source of competition for our products in a very short period of time.

Demand for our products is affected by changing customers' tastes, preferences, and spending habits.

Our business performance is affected by changes in consumer 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 snacks continually evolves due to various factors, including changes in lifestyles, consumption patterns, changing demographics, social trends, concerns or perceptions regarding food safety and healthy eating, and the economic environment. In particular, since snacks are discretionary spending items, consumer spending patterns are affected by, among other factors, macro-economic conditions, social and cultural trends and uncertainties about future economic prospects. Any decline in the snacks market as a whole could have a material and adverse impact on our future prospects, business, results of operations and financial condition. Such factors are beyond our control and may change from time to time.

In addition, the success of our business depends on our ability to identify market trends, respond to customer requirements and develop, produce and bring to market, in a timely manner, products that reflect the current preferences of a broad range of current and prospective customers. Customer preferences may shift rapidly in response to changing economic circumstances, seasons and trends. We cannot assure you that we will successfully anticipate or respond to changes in market trends or consumer preferences and, even if we do, we may not be able to bring new products to market in a timely manner. If we fail to anticipate or respond to market trends or changes in customer preferences in a timely manner, our business, results of operations, financial condition and growth prospects could be materially and adversely affected.

There are also inherent risks associated with new brands and products, including uncertainties about market acceptance of newly launched brands and products or potential impacts on our existing brands and product offerings. We may need to incur increased expenditure for new product or brand development, and we cannot assure you that our new brands or products will be successful. The risks are heightened if we enter new product categories or industries that we are not familiar with, since we may not be able to leverage our scale or experience in the snacks industry to replicate our success, and we may face more intense competition by established players in new product categories or industries.

We may not be able to manage our multi-channel sales network effectively.

We face risks associated with managing our multi-channel sales network consisting of offline sales channels, including distributors and self-owned and franchised stores, and online sales channels, including short video platforms and e-commerce platforms. Even though we generally offer different SKUs for different sales channels, we cannot assure you that our multiple sales channels will not compete with each other and result in cannibalization among different channels, which could have a material and adverse impact on our business, results of operations and financial condition.

More specifically, distributorship is an important component of our multi-channel sales network. We had a total of 1,871 distributors as of December 31, 2024. Sales to our distributors amounted to RMB821.1 million, RMB774.8 million and RMB1,479.9 million in 2022, 2023 and 2024, accounting for 11.3%, 10.9% and 13.9% of our total revenue in the respective periods.

We face various risks in relation to distributorship, including:

- We have limited control over our distributors, who may not always comply with our requirements and policies or adhere to agreements with us. This could lead to issues such as misuse of our brand names and logos, violations of our guidelines, or inappropriate marketing activities, all of which may negatively impact product sales, consumer experience and brand recognition.

- Some distributors may sell our products to sub-distributors without our involvement or oversight, making it difficult to control their sales activities.

- Our distributors may violate our guidelines and sales strategies and compete with each other for market share.

- Our distributors may fail to sell our products in a timely manner or deviate from our guidelines and strategies, which could result in price disparities, decreased product sales and damage to our reputation.

- We may have limited control over the ordering and stockpiling by distributors, making it challenging to make sales forecast and manage inventory levels effectively.

- Distributors may violate our guidelines and sell our products to unauthorized channels or regions. This may cause price erosion, brand dilution, conflicts with authorized distributors and disruptions in pricing strategies across different channels. This can further exacerbate competition among distributors and undermine our brand recognition.

Occurrence of any of these could have a material and adverse impact on our business, results of operations and financial condition.

Product quality is critical to our business operations and sustained growth.

The quality of our products is critical to our success. In addition to risks associated with the manufacturing, processing and labelling of our products, some third parties, such as (i) suppliers of raw materials and packaging materials, (ii) logistics service providers, (iii) distributors and (iv) operators at points of sale, could also affect the quality of our products or lead to inventory obsolescence if these third parties fail to provide raw materials, packaging materials or services to us with satisfactory quality.

We have established stringent quality control systems to ensure the quality and safety of our products. Our quality control systems primarily consist of quality control measures for raw materials and packaging materials, production process, finished goods storage, and delivery and sales. See "Business — Production and Manufacturing". The effectiveness of our quality control systems depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees comply with our quality control policies and procedures. We cannot assure you that the design of our quality control systems will be effective at all times. We also cannot assure you that all our employees will always comply with the quality control policies and will not make any mistakes when executing quality control procedures.

Any product quality issue resulted from failure of our quality control systems or other reasons could expose us to product liability claims, negative publicity, government scrutiny, investigation or intervention, administrative actions and product recalls or returns, which could materially and adversely affect our brands, reputation, results of operations, financial condition and business prospects.

The use of third-party factories to manufacture certain of our products presents risks to our business.

We rely on third-party factories to produce certain of our products. More specifically, in 2024, most of our nut products were produced in our own factories, while substantially all of our other snacks products were produced by our OEM partners. As a result, the loss or unavailability of any of our major OEM partners, even temporarily, could have a negative impact on our business, results of operations and financial condition. While we believe that we have the ability to replace our OEM partners, if necessary, any such move may be time-consuming and costly. In addition, we may face challenges in establishing relationships with new OEM partners on similar terms with matching quality. We may also be required to seek out additional OEM partners in response to increased demand for our products, as our current OEM partners may not have sufficient production capacity. Furthermore, our OEM partners are subject to various laws and regulations in the PRC, including food safety, environmental protection, health and safety-related laws. Any violation, non-compliance or issue in connection with these laws and regulations can disrupt their production activities. Any failure of our OEM partners to deliver a material portion of the products ordered, or our failure to find alternative OEM partners in time, could have a material and adverse impact on our business, results of operations and financial condition.

Product quality is crucial to our success. We require our OEM partners to produce our products according to our quality control procedures and instructions. Nevertheless, we may not have effective control over whether our OEM partners would strictly follow our quality control procedures and instructions. Despite the various policies we designed and implemented, there is always a risk that our OEM partners will not comply with our requirements, and that we may not be able to discover such non-compliance in time, or at all. Any illegal or policy-violating activities of our OEM partners may expose us to product liability claims, administrative penalties, confiscation or destruction of certain products, revocation of business license, or other legal consequences, among others. If there is any issue with the quality of our sold products, it could result in damage to our brand reputation, product recalls, consumer litigation and others, which in turn could have a material and adverse impact on our business, results of operations and financial condition.

We may experience disruptions or delays in our production.

Significant unscheduled downtime at our factories due to equipment breakdowns, power failures, planned power outages, weather conditions, fire or explosion or other natural disasters could cause disruptions in our operations or delay our production and delivery schedules. While we have implemented policies to reduce such risks, these risks cannot be eliminated.

If any of our factories or equipment were to be damaged or cease operations, including as a result of an explosion, fire or other disruptions, it would temporarily reduce our manufacturing capacity and affect our ability to provide our products to our customers, which could adversely affect our reputation, business, results of operations and financial condition.

Inadequate production capacity could hinder our capability to satisfy customer demand.

We cannot assure you that our production capacity will be adequate to meet the overall market demand for our products, especially if we experience increased demand for our products during holiday seasons such as the Chinese New Year. Similarly, we cannot assure you that we will be able to meet the overall demand for our products or demand for any of our specific products in particular, should the production in any of our production facilities be disrupted in the future, especially during periods when we experience high demand for some or all of our products. Under these circumstances, our business, financial condition and results of operations may be materially and adversely affected.

In the future, as our business grows, we may need to expand our production capacity through various measures, including the construction of new factories or expansion of our existing factories. We cannot assure you that our new premises will be ready in time or our production capacity will otherwise be successfully expanded. Failure to expand our production capacity could hinder our capacity to satisfy customer demand and growth prospects. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for the expansion and maintenance of expanded production capacity. A delay in or cancellation of our expansion plans could also subject us to disputes with various counterparties, including general contractors and sub-contractors, equipment suppliers, financiers and relevant government authorities. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may face shortages, price fluctuations or quality issues relating to raw materials or disruptions in the supply of raw materials.

The raw materials used in the production of our products primarily include nuts. Raw materials are of vital importance as they can directly affect the quality, safety, taste and appeal of our products. We adopt strict criteria for evaluating the qualifications of our raw material suppliers. We take into account their qualifications as well as the quality, price and stable supply of the relevant raw materials when selecting our raw material suppliers. The supply of our raw material may be subject to risks associated with factors beyond our control, such as labour shortages and natural disasters. Any shortage or disruption in the supply of raw materials used in the production of our products may cause a disruption to production and result in our inability to provide adequate products to meet market demand, which would subsequently lead to loss of sales.

In addition, we cannot guarantee that raw materials from suppliers will be free from quality issues. Any quality issue of raw materials used in our production may impact the quality and safety of our products and subject us to potential liabilities, product recalls, and other claims. Potential liabilities and claims related to safety of our products may impair the reputation of our brands and could have a material and adverse impact on our business, results of operations and financial condition.

Furthermore, fluctuations in the price of our major raw materials can have a significant effect on our revenue and profitability. During the Track Record Period, market price of nuts and seeds, our major raw materials, remained relatively stable. However, in the event of an increase in the prices of our raw materials, we cannot assure you that we will be able to pass on the price increases in our major raw materials to consumers without damaging our "accessible premium products" positioning, in which case our sales and profitability will be negatively impacted.

We may be unable to maintain our attractive pricing and our accessible premium products positioning.

Attractive pricing is crucial in maintaining our "accessible premium products" positioning. Many factors beyond our control may impact the pricing of our products. For example, we may need to increase the price of our products due to factors such as higher raw material costs. We may also incur higher than expected expenses on our sales and marketing efforts or make capital expenditure to strengthen our production resources. Any of these factors could result in lower profitability unless we increase the retail price of our products. Any such increase in retail price could damage our "accessible premium products" positioning, diminish our appeal to consumers and weaken our competitiveness in the market, which in turn could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

A significant portion of our online sales depends on certain online platforms.

We rely on a limited number of key online platforms for a substantial portion of our online sales, including various short video platforms such as Douyin and Kuaishou and e-commerce platforms such as Tmall.com, JD.com and Pinduoduo, which are owned, controlled by, or associated with, a limited number of technology companies. In 2022, 2023 and 2024, revenues related to these online platforms (including both short video platforms and both consumer- and wholesale-oriented e-commerce platforms) represented 70.8%, 73.8% and 69.7% of our total revenue. As such, we may be subject to concentration and counterparty risks from these key online platforms. We cannot assure you that we will be able to maintain our relationships with our key online platforms. These platforms are not obliged to continue to cooperate with us in the future at a level similar to historical levels, or at all. Should any of these key platforms reduce substantially the demand for our products or terminate their business relationship with us entirely, we may not be able to secure new online sales platforms to compensate for such reduction in sales demand or loss of business. If our relationship with these key online platforms deteriorates, or if there is a perceived decline in the quality of service or general reputation of these platforms, our sales through these platforms may decrease. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We or our franchisees may be unable to obtain new leases for, or renew existing leases at desirable locations.

The majority of our stores (including our franchise stores) are presently located on leased premises. Most of the leases for our stores are subject to renewal every one to three years.

Our and our franchisees' ability to obtain favourable terms when renewing existing leases upon their expiry is crucial to our operations and profitability, especially for stores in locations with a high volume of customer traffic. At the end of each lease, we or our franchisees may not be able to negotiate an extension of the lease and may therefore be forced to move to a less favourable location. We or our franchisees may also not be able to renew our existing leases at reasonable prices or on terms and conditions that are acceptable to us. In addition, we compete with other businesses, including competitors of our brands, for premises at desirable locations or of desirable sizes.

Therefore, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms, in a timely fashion, or at all, which could materially and adversely affect our business, financial condition and results of operations.

Future changes in the online marketing industry and consumer behavior may adversely affect our sales through online channels.

During the Track Record Period, a significant portion of our revenue was generated from our online sales. The future growth of our operations depends on our ability to continue attracting online customers and gaining new purchasers from various online channels, as well as our ability to retain and increase traffic to our online stores and live-streaming rooms. We believe that maintaining a strong online presence helps to improve the visibility of our brands and brand awareness. However, we may not be successful in maintaining or increasing our online sales.

The success of our online sales channels also depends on a number of factors relating to the online marketing industry and consumer behavior, including:

- consumer traffic on e-commerce platforms and short video platforms generally and our ability to increase the consumer traffic to our online stores and live-streaming rooms;
- our ability to respond to the changes in internet and mobile penetration, as well as the online marketing industry;
- the reliability of e-commerce and short video platforms; and
- the availability of relevant network infrastructure, such as online or mobile payment platforms.

Further, if privacy concerns or regulatory restrictions prevent us from collecting data or using the data we collect in the course of our business to analyze consumer preferences or if there are any defects in our data analytics models, our predictions of consumer behavior may not be accurate. With regard to the accuracy of our data, we rely on the information provided by our online customers as well as anonymized visitors' browsing data provided by third parties. We do not verify the authenticity of such data. If the information that we collect is materially inaccurate or false, this may also adversely affect our predictions of market trends as well as our online sales strategy.

In addition, a decline in the popularity of online shopping or live-streaming in general or our failure to identify or respond to trends or consumer requirements in our online channels could result in a decreased number of online customers and reduced attractiveness of our online channels. This in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

We may be unable to conduct our marketing activities effectively.

We conduct various marketing activities to promote our brands and products to consumers. We promote our brands and products to consumers through marketing campaigns, advertisements, our social media and live-streaming accounts and third-party social media and live-streaming accounts. We communicate with consumers in a comprehensive approach through advertising, brand related intellectual properties such as cartoons, celebrity endorsements, social media marketing, and cross-industry cooperation with other brands. These marketing efforts may incur significant marketing expenses. In 2022, 2023 and 2024, our distribution and selling expenses were RMB1.532.8 million, RMB1,237.5 million and RMB1,867.7 million, which represented 21.0%, 17.4% and 17.6% of our total revenue in the respective periods.

We cannot assure you that our marketing activities will achieve their intended results. The effectiveness of sales and marketing activities is relatively hard to predict and evaluate. Their effects may be delayed, resulting in a delayed revenue growth which may not be fully reflected during the period in which the sales and marketing activities took place. If the results of our marketing activities fail to meet our expectation, or if we fail to conduct the marketing activities as planned, our results of operations, financial condition, market share, brands and reputation may be adversely affected.

We may face negative publicity concerning the live streamers, KOLs and celebrities whom we engage to market and sell our products.

As an established brand, the brand image of "Three Squirrels" is sensitive to the public's perception of our business. Public perception of our business is formulated not only by the quality and competitiveness of our products, but also the culture, values and ethics that we embody as a business. We devote significant resources to our marketing efforts, including through engagement of live-streamers, key opinion leaders and celebrities to market our brands and sell our products on short video platforms.

These live-streamers, KOLs and celebrities may, intentionally or incidentally, distribute information about us or our products that may result in a negative perception of us by the public. In addition, even though we only engage live-streamers, KOLs and celebrities who share our brand values, their actions may deviate from our values, and any negative publicity or negative commentary regarding our spokespersons, or boycotting or blocking of these live-streamers, KOLs or celebrities, may result in a negative perception of us by the public even if the negative publicity does not involve our products at all. Any negative publicity about our spokespersons or products, regardless of veracity, could lead to potential loss of consumer confidence or difficulty in retaining or recruiting talent that is essential to our business operations. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

We are exposed to risks relating to warehousing and third-party logistics service providers.

A significant disruption to the operation of our warehouses, whether as a result of natural disasters, public health incidents, labor shortages, fires or other causes, or any unexpected and adverse changes in the storage conditions of the warehouses, could disrupt our operations, which may cause delay in product deliveries or even destroy our products. Though we maintain insurance to cover our inventory loss and damages, the coverage may not be sufficient and any loss caused by delay in delivery may not be recoverable. Prolonged disruptions in warehousing could also result in a loss of sales. Furthermore, we may fail to secure the lease agreement of our various facilities on favorable terms, or at all. Any of these events could have a material and adverse impact on our business, results of operations and financial condition.

We engage independent third-party logistics service providers to transport our products to our warehouses or customers. Our dependence on third-party logistics providers could expose us to potential service disruptions or inefficiencies. If these providers fail to meet their service obligations due to operational issues, financial difficulties, or other unforeseen circumstances, our ability to deliver products to customers in a timely and cost-effective manner may be impacted, which could cause a decline in product sales and loss of revenue. In addition, improper handling of our products by the logistics service providers could also result in product damage, which could lead to product liabilities or claims and negatively impact our brand image and reputation. Any of these events could have a material and adverse impact on our business, results of operations and financial condition.

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 sales 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, acquire 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 (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 depend on certain key personnel and our ability to attract and retain talented personnel for our operations.

The success of our business is dependent on our ability to attract and retain key personnel, including our senior management and others who have in-depth knowledge and understanding of our industry. We cannot assure you that we will be able to attract and retain qualified personnel or that our senior management or other key personnel will not retire or otherwise leave us at any time.

For example, our success depends significantly on the efforts and abilities of key individuals who have made substantial contributions to the development of our operations and our corporate culture. See "Directors and Senior Management" for further details. If we were to lose such personnel, or if these individuals fail to devote the same amount of time and effort to our business as they have done in the past, we cannot assure you that we would be able to replace such individuals with new personnel capable of making the same contribution in the near term or at all. As such, the loss of services of one or more of these key individuals, or any negative market or industry perception arising from such loss, could have a material adverse effect on our operations.

Our brands and products may be subject to counterfeiting, imitation or infringement by third parties.

We rely on intellectual property laws in the PRC to protect our brands and trademarks. We may be subject to counterfeiting and imitation by external parties who may market their products under "copycat" brand names and trademarks that closely resemble ours. While we take steps to protect our intellectual property rights, we cannot assure you that such counterfeiting or imitation will not occur or, if it does occur, that we will be able to detect or address the problem effectively or quickly. For details of our intellectual property protection measures, see "Business — Intellectual Properties". Counterfeiting or imitation of our products or other breaches of our intellectual property rights could adversely affect our reputation and brand name and lead to a loss of consumer confidence in our brands. Any litigation to prosecute infringements upon our rights and products will be expensive and will divert our management's attention as well as other resources away from our business. We may have to bear the costs arising from such litigation to the extent we are unable to recover them from the relevant parties. Moreover, if there are any concerns about the quality of the counterfeit products and consumers are not fully able to distinguish such counterfeit products from our products, our reputation and brand value may be impaired. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to protect our intellectual properties against infringement and unauthorized use in counterfeit products.

We consider our trademarks and other intellectual property rights to be critical to our success and competitive advantage. We register and protect such intellectual property rights to the extent that we are able to under relevant local laws. As of December 31, 2024, we had registered 2,441 trademarks, 249 patents, 1,258 copyrights and one domain name. We are not aware of any material violations, infringements or unauthorized use in relation to our intellectual properties. However, we cannot assure you that the steps we have taken to protect our intellectual property rights are sufficient, or that such intellectual property rights will not be subject to infringement in the future. Any unauthorized use of such intellectual property rights could harm our brands and reputation, which could adversely affect our financial condition and results of operations. In addition, our results of operations may be adversely affected as a result of incurring additional costs and the diversion of management's attention when initiating any intellectual property right claims.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

Maintaining optimal inventory levels is important to the success of our business. As of December 31, 2022, 2023 and 2024, the balance of our inventory accounted for approximately 32.3%, 32.1% and 39.7% of our total current assets. In 2022, 2023 and 2024, our inventory turnover days were 93.0 days, 81.6 days and 78.2 days, as compared to the industry average of around 90 days, according to CIC.

We are exposed to inventory risks as a result of a variety of factors beyond our control, including changing consumption trends and consumer preferences and launches of competing products. Moreover, for stocking purposes, we generally estimate demand for the products we sell ahead of the actual time of sale. For details, see "Business — Production and Manufacturing — Inventory Management". We cannot assure you that we can accurately predict these trends and events and maintain optimal levels of inventory at all times. An unexpected decrease in the market demand for our products could lead to excessive or obsolescent inventory, and we may be forced to sell slow-moving inventory at low profit margins, which in turn may materially and adversely affect our financial condition and results of operations. On the other hand, inventory under-stock may cause us to lose sales, and our business, financial condition, results of operations and prospects may also be materially and adversely affected.

We may not be able to collect our trade receivables or other receivables in a timely manner.

We may not be able to collect our trade receivables in a timely manner, and we may face difficulty collecting receivables for reasons beyond our control, such as customers delaying payment past the relevant credit periods granted or being unable to pay us when payments are due. We had total trade receivables of RMB394.2 million, RMB594.0 million and RMB560.0 million as of December 31, 2022, 2023 and 2024. In addition, we had other receivables and deposits of RMB21.8 million, RMB17.5 million and RMB42.3 million as of December 31, 2022, 2023 and 2024. They primarily represent various miscellaneous receivables incurred in the ordinary course of our business and are also subject to potential impairment. Any significant delay or default in our collection of trade receivables or other receivables may impose pressure on our cash flow and working capital and reduce the pool of available financial resources relative to our expectations and expenditure plans, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may face discontinuation of preferential tax treatments, government grants or imposition of any additional taxes and surcharges.

We received government grants and enjoyed certain preferential tax treatments during the Track Record Period. In 2022, 2023 and 2024, we recognized government grants of RMB94.6 million, RMB134.0 million and RMB81.8 million in the profit or loss. We and our PRC subsidiaries are incorporated in the PRC and are governed by applicable PRC income tax laws and regulations. The EIT Law and its implementing rules impose a statutory rate of 25% on PRC enterprises. Under the EIT Law, its implementation regulations and other relevant rules, companies qualified as "High and New Technology Enterprise" are entitled to enjoy a preferential EIT rate of 15%. One of our PRC subsidiaries has qualified as a High and New Technology Enterprise and was subject to a reduced preferential tax rate of 15% during the Track Record Period. Discontinuation of any of our current tax treatments could materially increase our tax obligations and adversely impact our net income. Government grants and preferential tax treatments are subject to review of PRC authorities and may be adjusted or revoked at any time in the future. We cannot guarantee that government grants and preferential tax treatments to which we are currently entitled would be successfully renewed. We also cannot assure you that local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments, potentially with retrospective effect.

There is uncertainty about the applicability or recoverability of our deferred tax assets.

We had deferred tax assets of RMB109.1 million, RMB136.4 million and RMB158.6 million as of December 31, 2022, 2023 and 2024. We recognise deferred tax assets for deductible temporary differences, the carry forward of any unused tax credits and any unused tax losses to the extent that our management determines that it is probable that we will generate future taxable profit against which such deferred tax assets can be utilised. See Note 20 to the Accountant's Report set out in Appendix I for further details on our accounting policy with respect to deferred tax assets and on the movements of our deferred tax assets during the Track Record Period. Such determination requires significant judgment from our management on the tax treatments of certain transactions as well as assessment on the probability, timing and adequacy of future taxable profits for the deferred tax assets to be recovered. If such judgments turn out to be imprecise, we may need to adjust our tax provisions accordingly. In addition, when we utilise deferred tax assets against our future taxable profit, we charge them to our income statement accordingly, which in turn would decrease our profit for the year for such future period. Furthermore, we cannot predict any future movements in our deferred tax assets and to what extent they may affect our financial position in the future. Any of these events may have a material adverse effect on our business, financial condition and results of operation.

We may require additional funding to finance our operations, which may not be available on terms acceptable to us, or at all.

We believe that our current cash and cash equivalents and the anticipated cash flows from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. We may not be able to obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, general market conditions for capital raising and debt financing activities and economic, political and other conditions.

Furthermore, if we raise additional funds by incurring debt, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service our debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be adversely affected.

We may not be able to perform our contracts with customers.

Contract liability is the obligation to transfer goods or services to a customer for which we have received a consideration (or an amount of consideration that is due) from the customer. As of December 31, 2022, 2023 and 2024, our contract liabilities amounted to RMB260.8 million, RMB295.4 million and RMB348.4 million. If we fail to honour our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the prepayments they have made, which may in turn adversely affect our liquidity position and financial condition. In addition, if we fail to honour our obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our results of operations in the future.

We may not be able to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other business partners.

We are exposed to risks of fraudulent or illegal activities or other misconduct by our employees, distributors, franchisees, suppliers or other business partners in the course of our business operations. Such misconduct could include fraud, corruption, bribery, collusion or other violations of applicable laws, including anti-corruption and anti-bribery laws, which could expose us to liabilities, fines and penalties imposed by government authorities, as well as significant reputational damage. We cannot assure you that our measures in place to monitor and prevent such misconduct would be effective at all times in identifying or mitigating all potential risks. Instances of misconduct may still occur, and any undetected or unresolved incidents could lead to adverse consequences, such as financial losses, legal liabilities or disruptions to our operations.

Furthermore, any publicized instances of fraudulent or illegal activities associated with our employees or business partners could harm our reputation, reducing customer and partner trust in our business. If such misconduct involves our employees, we could also face liabilities to third parties and penalties imposed by authorities. Accordingly, any failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, distributors, franchisees, suppliers or other business partners could materially and adversely affect our business, financial condition and results of operations.

We may experience increases in labor costs, shortage of labor or deterioration in labor relations.

Labor costs have been increasing and may continue to rise in the future. Our total staff costs amounted to RMB495.4 million, RMB412.2 million and RMB451.7 million in 2022, 2023 and 2024, respectively. Labor cost increases may cause our production costs to increase, and we may not be able to pass on such increase to our customers. We also cannot assure you that we will not experience any shortage of labor. Any such shortage could hinder our ability to maintain our production schedules and maintain or expand our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We seek to maintain favorable labor relations with our employees as we believe that our long-term growth depends on the expertise, experience, and development of our employees. For details of our employee training efforts and welfare, see "Business — Employees". however, we cannot assure you that we will not have any labor disputes in the future. Any deterioration of our labor relations could result in disputes, strikes, claims, legal proceedings and reputational damage, labor shortages that disrupt our business operations, as well as loss of experience, know-how and trade secrets.

Our business depends on information technology systems that enable us to manage our business efficiently.

Our business relies on the ability of our information technology systems to process a large amount of data on a timely basis for our management to make informed decisions and for our business to run efficiently and smoothly. The proper functioning of our financial controls, accounting, customer database, customer service and other data processing systems, including our Cloud Manufacturing ("雲造") systems, are critical to our operations and to our ability to compete effectively. Our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches, cyber-attacks and viruses. Any cyber-attacks, unauthorized access or control of our information technology systems or any significant failure of our information technology systems could result in transaction errors, process inefficiencies and loss of sales and customers, which could harm our reputation and materially and adversely affect our business, financial condition and results of operations.

In addition, certain of our critical data and IT systems are located on cloud platforms. Failure of these cloud platforms may render us unable to use our data and certain IT systems. Although we maintain disaster recovery facilities designed to be activated in place of primary facilities in the event of failure, we cannot assure you that our business activities would not be materially disrupted in the event of a partial or complete failure of any of these or other information technology systems.

Our efforts in developing and investing in technology may not generate the expected outcomes.

We rely on technology in many aspects of our operations. For example, our Cloud Manufacturing ("雲造") system allows us to centrally monitor and manage our finance, manufacturing, supply chain and point-of-sale functions. We have invested and plan to continue to invest in maintaining and upgrading these systems. In addition, we have made and continue to make investments in digital initiatives, tools, equipment and technology to upgrade our production processes.

Although we continuously upgrade our technologies to keep up with the latest industry developments, we cannot assure you that our investment in these technologies could produce the expected outcomes, in which case our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may fail to protect our proprietary data and customer information.

We believe that our ability to compile and analyze sales and customer data is critical to our success. We have built a large database leveraging our extensive sales network and our information technology systems. We obtain customer data, such as our members' personal information and transaction history, primarily through our stores, online channels and social media websites. Concerns about our practices with regard to the collection, storage, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation, and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. Furthermore, any actual or alleged leakage or unauthorized use of the customer data we have collected could result in decreases in online traffic to purchase our products and the overall sales, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have adopted security policies and measures to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in compromises or breaches of the technologies that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining and misappropriating our proprietary data and customer information. In addition, we have limited control or influence over the security policies or measures adopted by third party online payment service providers through which some of our end-customers may elect to make online purchases. Furthermore, our third party logistics service providers may also violate their confidentiality obligations and illegally or improperly disclose or use information about our customers. Any negative publicity regarding the safety or privacy protection mechanism and policy of our information technology systems or online sales channels could have a material adverse effect on our brand image and reputation.

Furthermore, the regulations governing data privacy and the use of personal data are evolving. Any change in the regulations governing the use of personal data could adversely affect our ability to collect, use and store such data or discourage our customers from using our online sales channels, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our sales may be influenced by seasonality.

Our results of operations are affected by seasonal fluctuations in the demand for our products. We usually experience higher sales during Chinese New Year, which typically falls in the first quarter of each year. Accordingly, various aspects of our operations, including sales, production utilization, working capital and operating cash flow, are exposed to the risks associated with seasonal fluctuations in the demand for our products, and our quarterly or half year results may not reflect our full year results.

Our insurance coverage may not cover all losses.

We maintain different types of insurance policies to cover our operations, including workplace safety and liability, public liability and property related insurance covering our facilities, machinery equipment, inventories and other assets, business continuity, public liability and employer liability. However, there may be circumstances under which certain types of losses, damages and liabilities are not covered by our insurance policies. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, financial condition and results of operations.

Our risk management and internal control systems may not be adequate or effective.

We have established risk management and internal control systems consisting of organizational frameworks, policies, procedures and risk management methods that we believe are appropriate for our business operations, and we seek to continue to improve these systems. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, including the identification and evaluation of risks, internal control variables and the communication of information, we cannot assure you that such systems will be able to identify, mitigate and manage all our exposure to risks.

Our risk management and internal controls also depend on the proficiency of and implementation by our employees. We cannot assure you that such implementation will not involve any human error or mistakes, which may materially and adversely affect our business, financial condition and results of operations.

We are exposed to the risk of litigation, claims and disputes, which may cause us to pay significant damages awards and incur other costs.

We are involved in legal claims, disputes and legal proceedings from time to time in the ordinary course of our business. We believe that all of our operations are in material compliance with applicable laws and regulations. However, we cannot assure you that we will not be subject to liabilities in the future. Substantial liability arising from a lawsuit judgment or a significant regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against the Directors, officers or employees could have a material adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, such proceedings could result in us incurring additional costs and significantly harm our reputation, which could materially affect 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.

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.

We face risks related to health epidemics and other outbreaks, and events such as wars and acts of terrorism.

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.

Changes to the existing regulatory regime relating to our sectors may limit our ability to provide product offerings.

The operations of our business are subject to various laws, rules and regulations at the regional and national levels. 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.

In recent years, the PRC government has, on many occasions, promoted the development of food safety laws. New laws, rules and regulations relevant to our businesses may be introduced in the future, or current applicable regulations may otherwise be amended or replaced, requiring us to conduct business with additional oversight and regulatory compliance. We cannot assure you 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.

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE

It may be complex to effect service of process upon us or our management or to enforce against them or us any judgments obtained from foreign courts.

We are a company incorporated under the PRC laws and a majority of our assets are located in mainland China. In addition, most of our Directors, and senior management reside in mainland China. As a result, it may be complex for investors to effect service of process outside of mainland China upon us, our Directors, or senior management or to enforce judgments obtained against us in courts outside mainland China. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in mainland China only if the jurisdiction has a treaty with mainland China or if the jurisdiction has been otherwise deemed by the courts of mainland China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, mainland China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in mainland China of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 3, 2008, the Supreme People's Court and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2008 Arrangement**"). Under the 2008 Arrangement, where any designated court of mainland China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of mainland China or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 25, 2024, the Supreme People's Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (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) (the "**2024 Arrangement**"), which became effective on January 29, 2024. The 2024 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2008 Arrangement which is made before the effective date of 2024 Arrangement.

Uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

Furthermore, many of the legal systems in the geographic markets where we operate are based in part on their respective government policies and internal interpretations, some of which are not published on a timely basis or at all and may have retroactive effects. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of our industries and affect our business, financial condition and results of operations.

Failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds or other PRC labor related regulations may subject us to fines and other legal or administrative sanctions.

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. There is no assurance that our historical and current practice will at all times be deemed in full compliance with relevant laws and regulations by government authorities. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees, as required by the relevant PRC laws and regulations, and our Company and certain of our subsidiaries engaged third-party human resource agencies to pay social insurance and housing provident funds for certain of our employees. As a result, we may be required to pay any shortfall in social insurance contributions within a prescribed time period and to pay penalties if we fail to do so. As advised by our PRC Legal Adviser, the risks that we are required by the relevant authorities to make additional payment of social insurance and housing provident funds and be subject to administrative penalties during the Track Record Period are remote. 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.

In addition, as the interpretation and implementation of the Labor Contract Law, the Social Insurance Law and other labor related regulations are evolving, we cannot assure you that our employment practice do not and will not violate labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations, we cannot assure that such risks we may be exposed to will not adversely affect our reputation, business, results of operations and financial condition or otherwise divert our resources in handling any lawsuits, legal proceedings or complaints.

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 have an office or premise established in China without actual management functions performed in China, or an enterprise that has income derived from or accruing in China even though without an office or premise in China.

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 mainland China withholding tax at a rate of 20% 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 set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following 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 individual income tax of mainland China at the withholding tax rate of 10%, in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement 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. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of mainland China and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of December 31, 2024, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-mainland China resident individuals on the sale of shares of mainland China resident enterprises listed on overseas stock exchanges.

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 Shenzhen 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 continuously complying with all 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 Shenzhen Stock Exchange. Following the **[REDACTED]**, our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be **[REDACTED]** on the Stock Exchange. Under current laws and regulations of mainland China, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no **[REDACTED]** or settlement between the H Share and A Share markets. With different **[REDACTED]** characteristics, the H Share and A Share markets have divergent **[REDACTED]** volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the **[REDACTED]** 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 the investment decision in our H Shares.

There has been no prior public market for our H Shares, and an active [REDACTED] 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 **[REDACTED]** volume will develop and be sustained following the completion of the **[REDACTED]**. In addition, the **[REDACTED]** of our H Shares is expected to be fixed by agreement between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and us and may not be an indication of the market price of our H Shares following the completion of the **[REDACTED]**. If an active public market for our H Shares does not develop following the completion of the **[REDACTED]**, the market price and liquidity of our H Shares may be materially and adversely affected.

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

The price and **[REDACTED]** volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. The Stock Exchange and other securities markets have, from time to time, experienced significant price and **[REDACTED]** 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 **[REDACTED]** volume of our H Shares. In addition to market and industry factors, the price and **[REDACTED]** volume of our H 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 customers and suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

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 a substantial number 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 the H Shares. Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which **[REDACTED]** in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant 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 own now or may own in the future. Market sale 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.

The interests of our Controlling Shareholders may not align with the interests of the Shareholders as a whole.

Immediately following the completion of the **[REDACTED]**, the Controlling Shareholders will, directly and indirectly, hold **[REDACTED]** of the total issued Shares (assuming that no new Shares are issued under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**). The Controlling Shareholders will, through their voting power at the general meetings, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition of assets, issuance of additional Shares or other equity or debt securities, timing and amount of dividend payments and amendments to the Articles of Association. The Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the approval of the Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us or the Shareholders as a whole. This concentration of ownership may also discourage, delay or prevent a change in control of us, which could deprive the Shareholders of an opportunity to receive a premium for the Shares as part of a sale of the Company and may significantly reduce the price of the Shares.

Our historical dividends may not be indicative of our future dividend policy, and we cannot assure you whether and when we will pay dividends in the future.

We have declared dividends in the past. We protect our Shareholders' interest by ensuring a consistent dividend policy. However, we cannot assure you 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 at the discretion of our Directors, after taking into account various factors, including our results of operations, 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 the approval at Shareholders' 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 — Dividend Policy" for further details of our 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 requirements. 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 expenses 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. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of mainland China.

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

As our A Shares are listed on the Shenzhen 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 Shenzhen 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 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 operational information for the Track Record

Period disclosed on the Shenzhen 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]**.

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 relating to 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.

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Sole Sponsor, **[REDACTED]** or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhang Liaoyuan (章燎源先生)	Room 3002, Unit 2, Building 2 Mingmen Section B, Jinyulanwan Yijiang District, Wuhu Anhui Province PRC	Chinese
Mr. Pan Daowei (潘道偉先生)	No. 038, 4th Residential Group Nanji Town, Ningguo Anhui Province PRC	Chinese
Mr. Wei Benqiang (魏本強先生)	Room 2404, Unit 1, Building 11 Changjiangzhige Yijiang District, Wuhu Anhui Province PRC	Chinese
Mr. Guo Guangyu (郭廣宇先生)	No. 71 Haiguan Houxiang Shima Town, Longhai Fujian Province PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Huang Zhongwei (黃鐘偉先生)	Room 101, Building 9 Wenhuahuayuan Rendeyuan Yangpu District, Shanghai PRC	Chinese
Mr. Wu Sheng (吳聲先生)	Room 202, No. 76 Shuangtangli Qinhuai District, Nanjing Jiangsu Province PRC	Chinese
Ms. Wu Xiaoliang (吳小亮女士)	No. 901, Unit 2, Building 5, Tianleyuan Chaoyang District, Beijing PRC	Chinese
Mr. Bai Xianyue (白顯月先生)	Room 550, 5/F, Harbour Plaza 8 Degrees 199 Kowloon City Road To Kwa Wan Kowloon Hong Kong	Chinese

For further details, see "Directors and Senior Management."

Sole Sponsor	**CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
Legal Advisers to the Company	*As to Hong Kong and U.S. laws:* **Freshfields** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong *As to PRC law:* **Zhong Lun Law Firm** 22–31/F, South Tower of CP Center 20 Jin He East Avenue Chaoyang District Beijing PRC

Legal Advisers to the Sole Sponsor 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:* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing PRC
Auditor and Reporting Accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 35/F, One Pacific Place 88 Queensway, Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10/F, Block B, Jing'an International Center 88 Puji Road, Jing'an District Shanghai, PRC
[REDACTED]	**[REDACTED]**

CORPORATE INFORMATION

Registered Office and Head Office	No. 8, Jiusheng Road Wuhu High-tech Industrial Development Zone Yijiang District, Wuhu Anhui Province PRC
Principal Place of Business in Hong Kong	Room 1922, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Joint Company Secretaries	**Mr. Lyu Jinqing (呂金青)** No. 8, Jiusheng Road Wuhu High-tech Industrial Development Zone Yijiang District, Wuhu Anhui Province PRC **Ms. Nelly Au-Yeung (歐陽麗妮)** *(an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* Room 1922, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorised Representatives	**Mr. Pan Daowei (潘道偉先生)** No. 038, 4th Residential Group Nanji Town, Ningguo Anhui Province PRC **Mr. Lyu Jinqing (呂金青)** No. 8, Jiusheng Road Wuhu High-tech Industrial Development Zone Yijiang District, Wuhu Anhui Province PRC

CORPORATE INFORMATION

Audit Committee	Mr. Huang Zhongwei (黃鐘偉) *(Chairperson)* Mr. Wu Sheng (吳聲) Ms. Wu Xiaoliang (吳小亮)
Strategy Committee	Mr. Zhang Liaoyuan (章燎源) *(Chairperson)* Mr. Pan Daowei (潘道偉) Mr. Wu Sheng (吳聲)
Nomination Committee	Mr. Wu Sheng (吳聲) *(Chairperson)* Ms. Wu Xiaoliang (吳小亮) Mr. Zhang Liaoyuan (章燎源)
Remuneration and Appraisal Committee	Ms. Wu Xiaoliang (吳小亮) *(Chairperson)* Mr. Huang Zhongwei (黃鐘偉) Mr. Wei Benqiang (魏本強)
Compliance Adviser	**Gram Capital Limited** Room 1209 12/F, Nan Fung Tower 88 Connaught Road Central 173 Des Voeux Road Central Central Hong Kong
[REDACTED]	**[REDACTED]**
Principal Bank	**China Construction Bank Corporation** **Wuhu Branch** **Huangshan Road Sub-branch** No. 5, Building 15, Yingduhuayuan Jinghu District, Wuhu Anhui Province, PRC
Company's Website	**www.3songshu.com** *(A copy of this Document is available on the Company's website. Except for the information contained in this Document, none of the other information contained on the Company's website forms part of this Document)*

OVERVIEW

Our Company was founded in February 2012 by Mr. Zhang. In December 2015, our Company was converted into a joint stock company with limited liability from a limited liability company. We have grown from a single-category nut brand into the largest domestic snack company in China in terms of retail sales value in 2024 and the fastest-growing snack company among the top five companies in terms of retail sales value CAGR between 2022 and 2024 in the industry, both according to CIC.

Since July 2019, our A Shares have been listed on the Shenzhen Stock Exchange (stock code: 300783). As of the Latest Practicable Date, our total issued share capital was RMB401,000,000, comprising 401,000,000 A Shares, of which approximately 42.04% was controlled by Mr. Zhang and Liaoyuan Investment, our Controlling Shareholders.

KEY DEVELOPMENT MILESTONES

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

Year	Milestone
2012 . . .	Our Company was founded by Mr. Zhang and we launched the Three Squirrels brand
2014 . . .	Our warehousing and distribution centers in Wuhu and Guangzhou commenced operations.
2015 . . .	Our warehousing and distribution centers in Beijing and Chengdu commenced operations.
2016 . . .	We opened our first offline experience store in Wuhu.
2017 . . .	Our warehousing and distribution center in Xi'an and Wuxi commenced operations.
2019 . . .	Our Company was listed on the Shenzhen Stock Exchange (stock code: 300783) and our total revenue in 2019 exceeded RMB10 billion
2020 . . .	We launched our sub-brand Deer Blue (小鹿藍藍), positioned as premium healthy snacks for children
2022 . . .	Our own nut processing factory was put into operation, strengthening supply chain integration and optimizing production efficiency
2023 . . .	We introduced the "accessible premium products" strategy and improved "All-Category + Omni-Channel" development

Year	Milestone
2024 . . .	We developed a "Product and Marketing Integration" networked organization and launched the "Small but Refined Business Unit" operational model
	We continued to invest in the development of the snack supply chain and centralized production bases
	We achieved revenue recovery to RMB10 billion

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:

Name of subsidiary	Place of incorporation	Date of incorporation	Equity interest attributable to our Group	Principal business Activities
Three Squirrels Wuwei	PRC	April 5, 2017	100%	Manufacturing of food
Three Squirrels Nut Smart Manufacturing	PRC	August 25, 2022	100%	Manufacturing of food
Wanwu Connect Logistics Technology	PRC	April 9, 2020	100%	Warehousing, distribution and logistics services
Squirrel Cloud Supply	PRC	April 2, 2020	100%	Supply chain services
Three Squirrels (Wuhu) Enterprise Management . .	PRC	April 10, 2020	100%	Corporate management consulting and sales of food and grocery
Three Squirrels (Nanjing) Enterprise Management . .	PRC	June 24, 2019	100%	Corporate management consulting and sales of food and grocery
Anhui Xiaolulanlan	PRC	April 17, 2020	100%	Sales of snacks for children
Zhongchuang Food Inspection	PRC	May 30, 2014	100%	Food inspection services

MAJOR SHARE CAPITAL CHANGES OF OUR COMPANY

Early Development of our Company

In February 2012, our Company was founded and wholly owned by Mr. Zhang, focusing on the sales of nuts through e-commerce channels.

Upon the completion of several rounds of share transfers and capital injections, on September 29, 2015, the registered share capital of our Company reached RMB52,593,750, with Mr. Zhang, Nice Growth Limited, LT Growth Investment IX (HK) Limited, Shanghai Ziyou Songshu Investment Center (Limited Partnership), Gao Zheng Capital Limited, Liaoyuan Investment and Shanghai Ziyou Investment Management Company Limited. holding 45.41%, 23.42%, 19.01%, 4.93%, 4.79%, 1.90% and 0.54% of the equity interests in our Company, respectively.

Conversion into Joint Stock Company with Limited Liability and Further Increase of Registered Capital

In December 2015, our Company was converted from a limited liability company to a joint stock company with limited liability, with Mr. Zhang, Nice Growth Limited, LT Growth Investment IX（HK） Limited, Shanghai Ziyou Songshu Investment Center (Limited Partnership), Gao Zheng Capital Limited, Liaoyuan Investment and Shanghai Ziyou Investment Management Company Limited. being our promoters and the registered capital of our Company being increased to RMB300,000,000.

In December 2016, the registered capital of our Company increased from RMB300,000,000 to RMB306,000,000. The additional registered capital of RMB6,000,000 was fully subscribed by an employee shareholding platform, Songguo Investment. In March 2017, the registered capital of our Company further increased from RMB306,000,000 to RMB 360,000,000. The additional registered capital of RMB54,000,000 was entirely converted from our Company's capital reserves.

Listing on the Shenzhen Stock Exchange

In July 2019, our A Shares were listed on the Shenzhen Stock Exchange (stock code: 300783). We offered a total of 41,000,000 A Shares under the A-Shares Listing, representing approximately 10.2% of our enlarged share capital immediately following the completion of the A-Shares Listing. Upon completion of the A-Shares Listing, Mr. Zhang directly and indirectly controlled approximately 43.40% of our Company's then share capital.

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 SHENZHEN STOCK EXCHANGE AND REASONS FOR THE [REDACTED] ON THE HONG KONG STOCK EXCHANGE

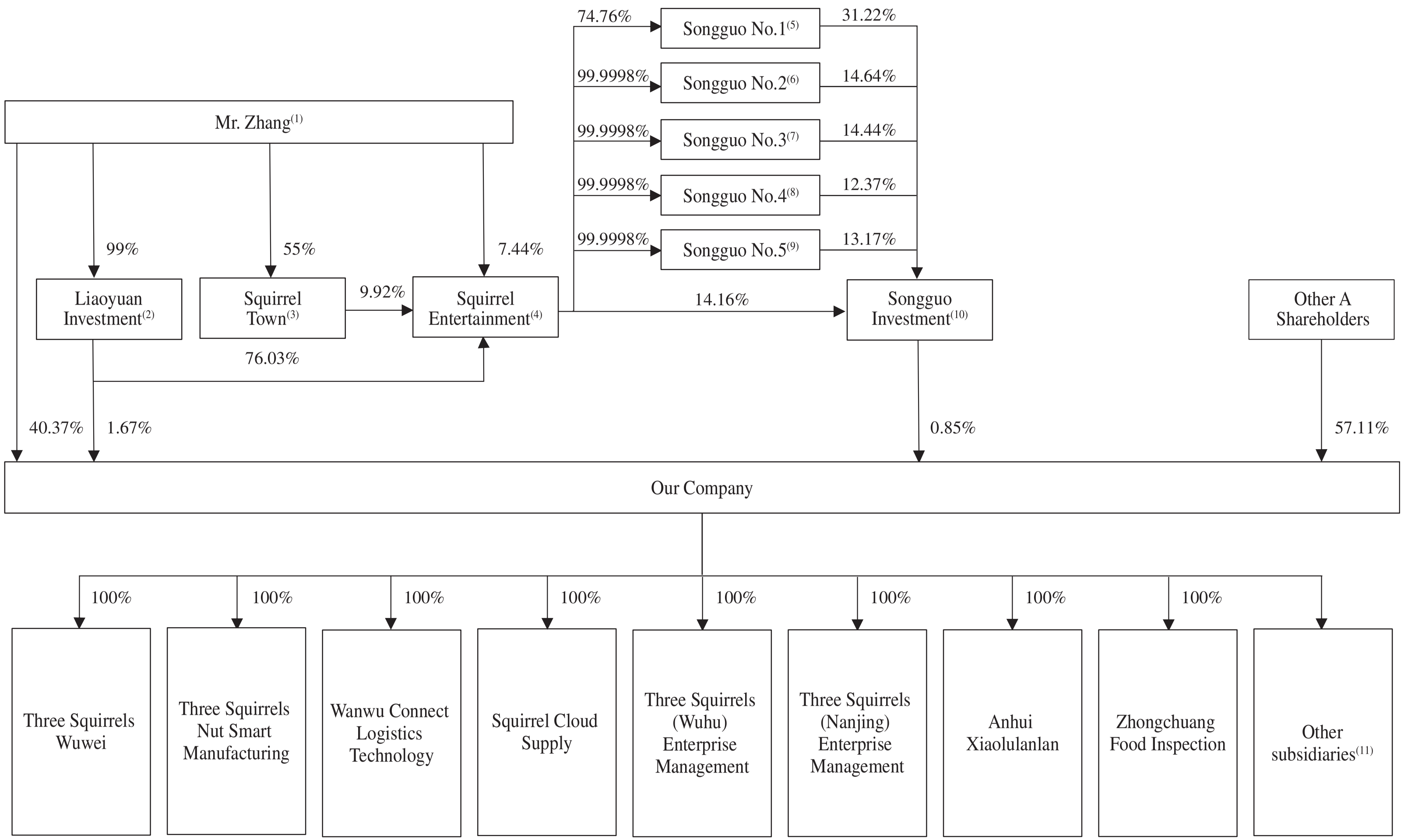
Our Directors confirmed that, as of the Latest Practicable Date, we had no instance of material non-compliance with the rules of the Shenzhen Stock Exchange and other applicable securities laws and regulations of the PRC during the Track Record Period and to the best knowledge of our Directors having 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 Shenzhen Stock Exchange. As advised by our PRC Legal Adviser, during Track Record Period and as of the Latest Practicable Date, we have not been subject to any material administrative penalties or regulatory measures imposed by the CSRC, Shenzhen Stock Exchange or PRC securities regulatory authorities. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would cause it to cast doubt on our Directors' confirmation with regard to the compliance record of our Company on the Shenzhen Stock Exchange in any material respect.

Our Company seeks to be **[REDACTED]** on the Hong Kong Stock Exchange in order to optimize our international brand image, enhance our integrated competitive strengths and establish an overseas equity financing platform. See "Business — Development Strategies" and "Future Plans and Use of **[REDACTED]**" for more details.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate Structure Immediately prior to the [REDACTED]

The following chart illustrates the simplified shareholding and corporate 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 the **[REDACTED]**):



Notes:

(1) As of the Latest Practicable Date, Mr. Zhang directly held 161,872,000 A Shares, of which 29,540,000 A shares have been pledged. For details of the background of Mr. Zhang, see "Directors and Senior Management".

(2) As of the Latest Practicable Date, Liaoyuan Investment directly held 6,696,000 A Shares, all of which have been pledged. The other shareholder of Liaoyuan Investment is Ms. Fan Jing (樊靜), who holds 1% equity interest. Ms. Fan Jing and Mr. Zhang are spouses.

(3) The other partner of Squirrel Town is Ms. Fan Jing, who holds 45% partnership interest.

(4) Apart from Mr. Zhang, Liaoyuan Investment and Squirrel Town, the remaining approximately 6.61% equity interest of Squirrel Entertainment is held by Wuhu Gaoxin Guokong Industrial Investment Company Limited* (蕪湖高新國控產業投資有限公司). The beneficial owner of Wuhu Gaoxin Guokong Industrial Investment Company Limited is Wuhu High-tech Industrial Development Zone Management Committee* (蕪湖高新技術產業開發區管理委員會).

(5) Songguo No.1 is a limited partnership established in the PRC. The general partner of Songguo No.1 is Ms. Wei Yingying (衛瑩瑩), who holds approximately 0.0001% partnership interest. Ms. Wei Yingying is the director of Human Resources Center of our Company. Apart from Squirrel Entertainment, the other limited partners are Mr. Pan Daowei, Mr. Guo Guangyu, Mr. Wei Benqiang, Mr. Wu Bin (吳斌) and Mr. Zhou Ting, who holds 5.61%, 5.61%, 5.61%, 4.67% and 3.74% partnership interest, respectively. Mr. Wu Bin is a former Director of our Company. For details of the background of Mr. Pan Daowei, Mr. Guo Guangyu, Mr. Wei Benqiang and Mr. Zhou Ting, see "Directors and Senior Management".

(6) Songguo No.2 is a limited partnership established in the PRC. The general partner of Songguo No.2 is Ms. Wei Yingying, who holds approximately 0.0002% partnership interest.

(7) Songguo No.3 is a limited partnership established in the PRC. The general partner of Songguo No.3 is Ms. Wei Yingying, who holds approximately 0.0002% partnership interest.

(8) Songguo No.4 is a limited partnership established in the PRC. The general partner of Songguo No.4 is Ms. Wei Yingying, who holds approximately 0.0002% partnership interest.

(9) Songguo No.5 is a limited partnership established in the PRC. The general partner of Songguo No.5 is Ms. Wei Yingying, who holds approximately 0.0002% partnership interest.

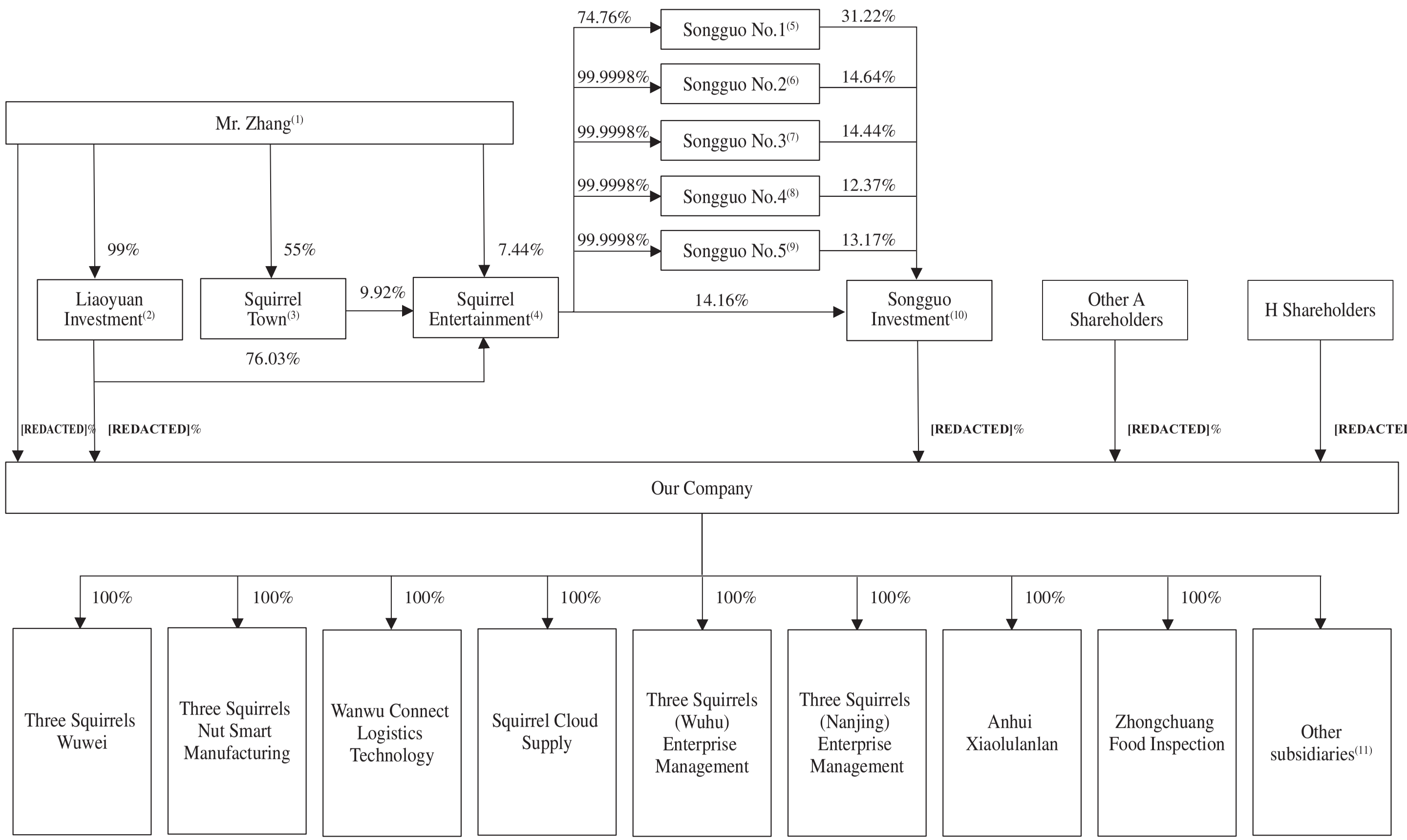
(10) Songguo Investment is a limited partnership established in the PRC. The general partner of Songguo Investment is Songguo No.4. As of the Latest Practicable Date, Songguo Investment directly held 3,399,800 A Shares.

(11) Other subsidiaries include over 40 subsidiaries established in the PRC and Cambodia. For further details of the subsidiaries of our Company, see Note 42 to "Accountants' Report" in Appendix I to this Document.

(12) Certain percentage figures included in the above chart have been subject to rounding adjustments.

Shareholding and Corporate Structure Immediately following the [REDACTED]

The following chart illustrates the simplified shareholding and corporate structure of our Group immediately following the completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**):



Notes:

See notes (1) to (12) of "— Shareholding and Corporate Structure Immediately prior to the **[REDACTED]**" above for details.

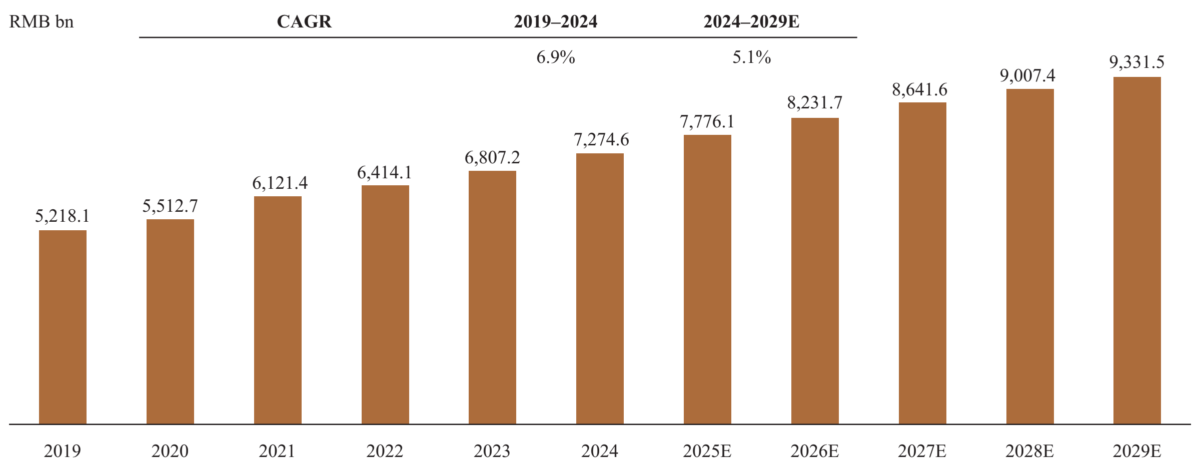
The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by CIC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

OVERVIEW OF CHINA'S FMCG MARKET

Market Overview

The FMCG market in China spans a broad range of categories, including snacks, 3R (Ready-to-cook, Ready-to-eat, Ready-to-heat), grains and oils, condiments, dairy and beverages, household and personal care products, maternal and child products, pet care products and consumer health products. In terms of retail sales value, China's FMCG market size grew from RMB5,218.1 billion in 2019 to RMB7,274.6 billion in 2024, representing a CAGR of 6.9% from 2019 to 2024. With the continuous evolution of consumer demand and ongoing innovation in FMCG products, the market is projected to expand to RMB9,331.5 billion by 2029, with a forecasted CAGR of 5.1% from 2024 to 2029.

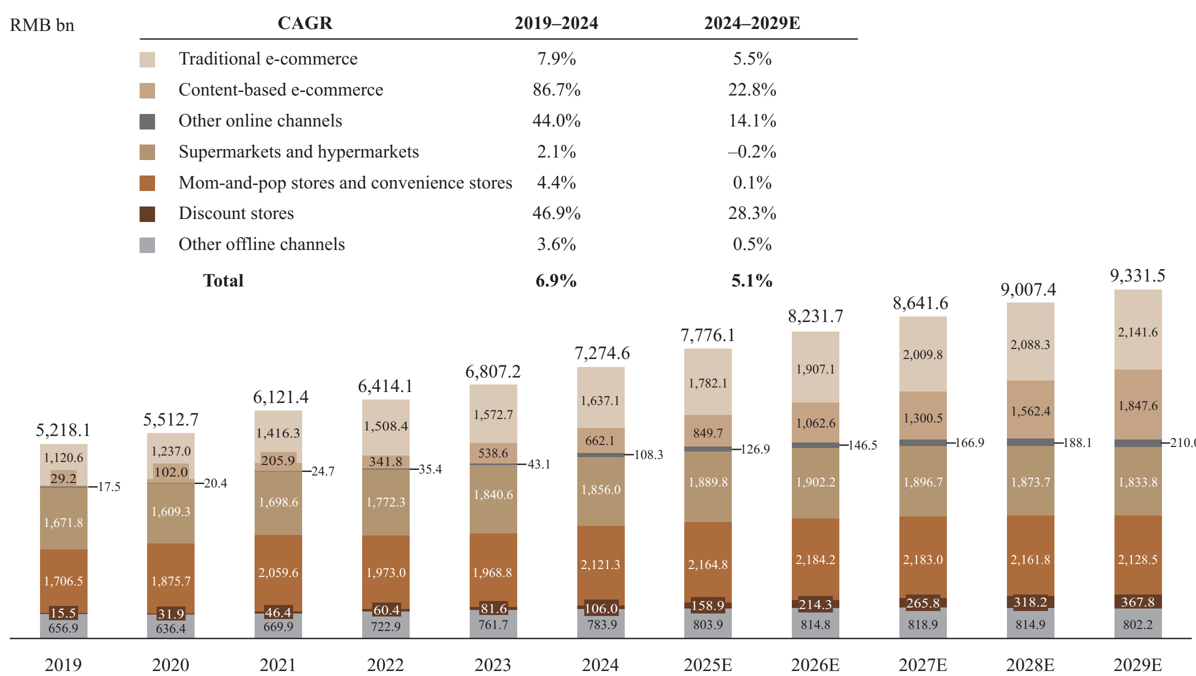
Market size of China's FMCG market, in terms of retail sales value, 2019–2029E



Sources: China Insights Consultancy

Under the trend of new retail in China, the fragmentation and diversification of channels have made it essential for FMCG market players to adopt an omni-channel strategy that integrates both online and offline channels. Retail sales channels in China's FMCG market can be divided into online and offline. Online channels include (i) traditional e-commerce, (ii) content-based e-commerce, and (iii) other online channels including on-demand e-commerce and private domain channels, while offline channels include (i) supermarkets and hypermarkets, (ii) mom-and-pop stores and convenience stores, (iii) discount stores and (iv) other offline channels, including cosmetics stores, vending machine, etc. Among online channels, content-based e-commerce is increasingly gaining prominence, while among offline channels, discount stores are experiencing rapid growth and are expected to play a more significant role in the future, capturing some of the shares from mom-and-pop stores and convenience stores, supermarkets and hypermarkets.

Market size of China's FMCG market, by sales channel, in terms of retail sales value, 2019–2029E



Sources: China Insights Consultancy

Challenges of China's FMCG Market

The FMCG market in China faces several challenges, including complex distribution networks, product homogenisation, prevalence of "white-label products", traditional retail formats that failed to meet modern consumer demand, and limited digital transformation:

- ***Excessive layers of distribution and high markups:*** One of the primary challenges in China's FMCG market is the presence of multiple distribution layers, which leads to excessive markups and inflated product prices. The involvement of multiple intermediaries between manufacturers and consumers adds unnecessary costs, and drives up procurement expenses for retailers. As a result, retailers have limited flexibility to reduce prices, making it difficult to meet consumers' growing demand for high-quality yet affordable products. Given the heightened focus on value for money, this distribution model no longer can satisfy the evolving preferences of consumer expectations.

- ***Product homogenisation and low customer loyalty:*** As the FMCG market becomes increasingly competitive, brands often struggle to stand out and differentiate their offerings from similar products, leading consumers to base purchase decisions on price rather than brand loyalty or product uniqueness. This lack of distinctive features makes it difficult for brands to build long-term customer relationships, as consumers can be easily swayed by price-based promotions or new entrants with similar products.

- ***Prevalence of white-label products of varying quality:*** White-label products have flooded the FMCG market in China driven by their attractive pricing. While white-label products often offer lower prices, the quality inconsistency between different products and brands has been a major concern. This inconsistency eroded consumer trust in the quality of white-label products, yet many consumers struggle to find affordable yet high-quality alternatives, thereby inhibiting the sustainable growth in the FMCG market.

- ***The existing chain retail formats are not close to communities, while the current community-based retail formats are dominated by mom-and-pop stores:*** Existing retail formats, such as supermarkets and hypermarkets are not generally located close to communities. These larger retail outlets tend to be more centralised, and may not always offer the convenience or personalised shopping experience that consumers expect in their neighbourhoods. In addition, current community-based retail formats, primarily dominated by mom-and-pop stores, lack the ability to meet the growing demand and consumer's expectations for product consistency, variety, and affordability.

- ***Insufficient digital management capability:*** While many companies have made strides in adopting digital tools in their operations, a gap remains in leveraging digital capabilities. Some brand owners, particularly small to medium-sized businesses, may not have fully embraced digitalisation, either due to perceived lack of necessity or because the advantages of digital transformation have yet to be clearly demonstrated. Additionally, while some companies have made progress in adopting digital tools, they have failed to achieve full-chain digitalization across manufacturing, branding, and retail, leading to inefficiencies and underutilization of data.

As a rare hard discount company in China's FMCG market that integrate manufacturing, brand and retail, the Company is addressing these industry challenges through value chain integration and "accessible premium products".

Future Trends

Driven by industry challenges, China's FMCG market is undergoing transformations to improve industry efficiency and consumer experience. The transformations include:

- ***Value chain integration:*** In the digital era, consumers are well-informed, focused on value for money, making rational purchasing decisions. The hard discount model meets these demands. Leading companies, that integrate manufacturing, branding, and retailing, can reduce distribution layers, lower costs, and improve efficiency, while also ensuring better quality control. This approach enables a deeper understanding of consumer needs and optimising sales, ensuring high-quality products at affordable prices.

- ***Continuous innovation in categories and products:*** A new generation of consumers, represented by Generation Z, is reshaping the consumption patterns in China's FMCG market. As digital natives, they are active users of new media and e-commerce. They exhibit a strong preference for personalised expression, a desire for novelty, and rapidly shifting tastes. To engage with these consumers, market players who continuously innovate in categories and products offerings in order to sustain and lead consumer demand.

- ***Consolidation of white-label products:*** In China's FMCG market, particularly in the offline market in lower-tier cities, the prevalence of white-label products is often accompanied by inconsistent quality, resulting in unmet consumer demand for product quality. Leading companies are now addressing this issue by consolidating the white-label products through the development of their own high-quality branded products with better value for money. Smaller, less well-known white-label products that don't satisfy customer demand will be phased out while market concentration increases as major competitors expand their share.

- ***Rise of chain community-based discount stores:*** On one hand, urbanization has led to increased population density, resulting in higher foot traffic and expanded customer base for community-based retail formats. China's urbanization rate, measured by the portion of urban populations to total population, increased from 62.7% in 2019 to 67.0% in 2024, and is expected to reach 71.6% in 2029. On the other hand, as consumers face faster-paced work and life schedules, they experience higher time costs and an increased demand for convenience, driving the shift toward community-based retail formats. Additionally, the advantages of chain operations over non-chain models further support this shift. As a result, chain community-based discount stores are able to replace or empower the traditional mom-and-pop stores, and are expected to experience significant growth in the coming years.

- ***More digital operation:*** In China, leading brands not only have deep insights into efficient online operations, but also possess extensive experience in data-driven full-chain supply chain management. This accumulated expertise in digital operation from leading brands is expected to extend across all FMCG categories in the future, driving and leading retail transformation.

OVERVIEW OF CHINA'S SNACK MARKET

Market Overview

The snack category has driven and supported the transformation of China's FMCG market:

- ***Snack is one of the most innovation-driven FMCG categories:*** The snack category is highly fragmented, with relatively low loyalty to specific categories, creating a significant demand for innovation. Snack also has low average transaction value, with consumers rarely stockpiling and exhibiting high-frequency consumption patterns. However, traditional retail formats struggle to keep up with the rapid changes and innovation demand for snack. Therefore, it is crucial for leading market players to drive category innovation through data-driven insights, quick responsiveness, mass innovation, and creation of trendsetting products to offer consumers a wide range of choices.

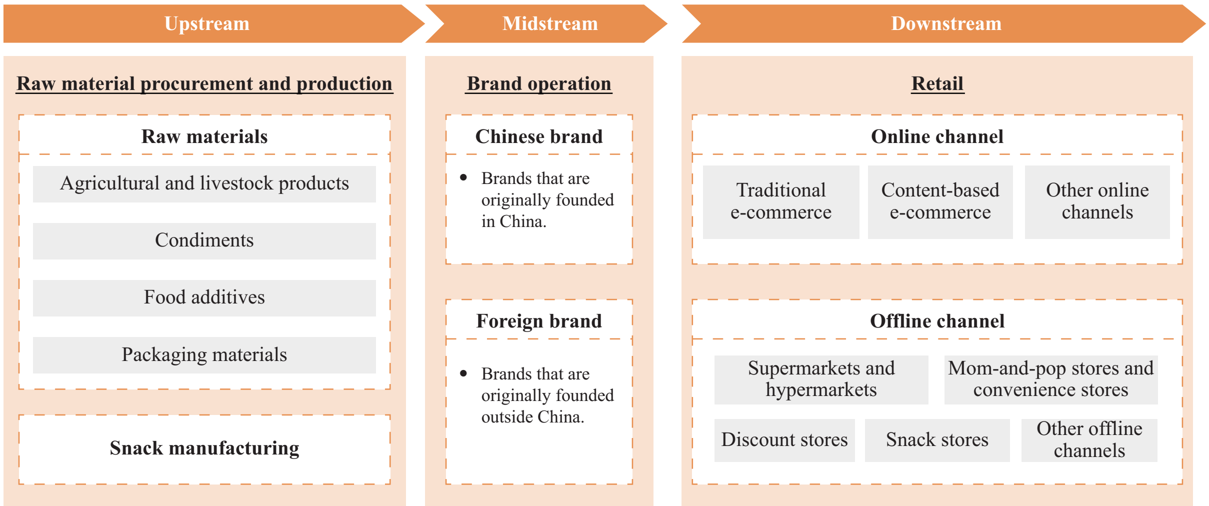
- ***Snack is a key category in the trend of retail discount:*** Compared with fresh goods and household and personal care products, snack is characterised by simpler assortment operations, a more compressible value chain, and simpler logistics infrastructure construction. Additionally, snack is among the categories that best reflect cost-effectiveness and excel in providing consumers with a strong sense of discounts and promotional value. However, traditional business formats, such as distributors and mom-and-pop stores, are failing to match consumer expectations for value for money.

- ***Development of retail formats of snack leads the direction of retail for all categories:*** The evolution of snack retail formats highlights a progression from mom-and-pop stores to snack stores, followed by B2C e-commerce, discount snack stores, and community-based discount stores. As a community-based, hard discount, full-category, and branded retail format, community-based discount stores are positioned to shape the future of retail in China.

Value Chain

Value chain of the snack industry consists of raw materials purchase and production in the upstream, brand operation in the midstream, and retail in the downstream. The upstream of the snack industry involves the sourcing of raw materials including agricultural and livestock products, condiments, food additives, and packaging materials, and manufacturing of snack products. The midstream involves brand operation, including both Chinese and foreign snack brands. The downstream involves retailing to end-customers, through online and/or offline sales channels. Online channels include traditional e-commerce platforms like Taobao, JD, and Pinduoduo, content-based e-commerce platforms like Douyin and Kuaishou, as well as other online channels including on-demand e-commerce and private domain channels. Offline channels include supermarkets, mom-and-pop stores and convenience stores, snack stores, discount stores, and other offline channels such as vending machine, cosmetics stores with snack offering.

Value chain of China's Snack Industry



Source: China Insights Consultancy

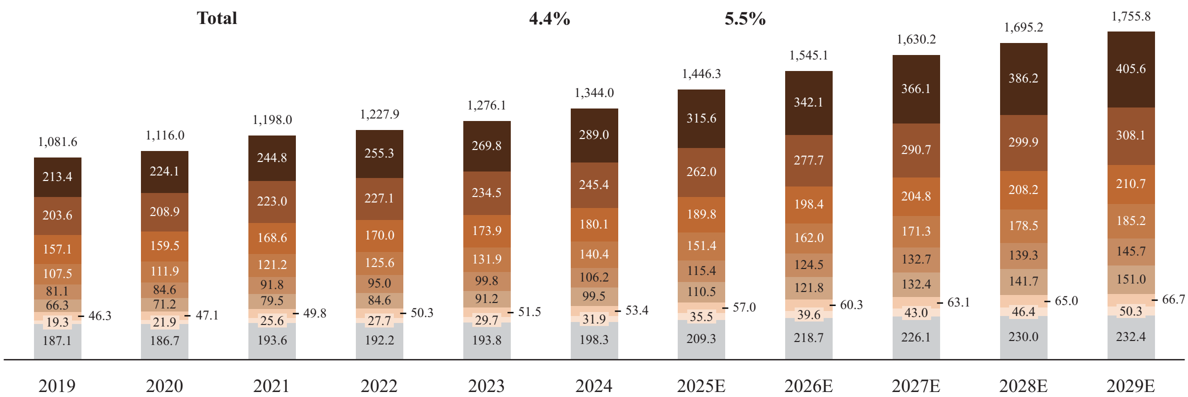
Market Size

Snack typically refers to small portions of packaged or bulk food consumed between meals or as a quick bite. They are often convenient, easy to eat, and designed to satisfy hunger or cravings without being a full meal. Snack can come in various categories, including (i) nuts and seeds, (ii) crispy snacks and biscuits, (iii) confectionery and chocolates, (iv) baked snacks, (v) meat and aquatic animal snacks, (vi) fruit snacks, (vii) seasoned flour products, (viii) children's snack, and (ix) others. In 2019, the market size of China's snack market was valued at RMB1,081.6 billion, which grew to RMB1,344.0 billion in 2024, representing a CAGR of 4.4% during the period. Driven by factors such as continuous innovation of snacks, rising demand for healthier options, and channel innovation, China's snack market is expected to grow to RMB1,755.8 billion in 2029 at a CAGR of 5.5% between 2024 and 2029. Within specific market segments, nuts and seeds are favoured by consumers due to their natural and healthy attributes, making them the largest category in China's snack market. Over the next five years, their CAGR is expected to surpass the average growth rate of the overall snack market. Children's snack, on the other hand, are the fastest-growing category, driven by increasing consumer demand for nutritious options tailored for young children.

Market size of China's snack market, by product category, in terms of retail sales value, 2019–2029E

RMB bn

CAGR	2019–2024	2024–2029E
Nuts and seeds	6.3%	7.0%
Crispy snacks and biscuits	3.8%	4.7%
Confectionery and chocolates	2.8%	3.2%
Baked snacks	5.5%	5.7%
Meat and aquatic animal snacks	5.5%	6.5%
Fruit snacks	8.5%	8.7%
Seasoned flour products	2.9%	4.6%
Children's snack	10.6%	9.5%
Others	1.2%	3.2%
Total	**4.4%**	**5.5%**



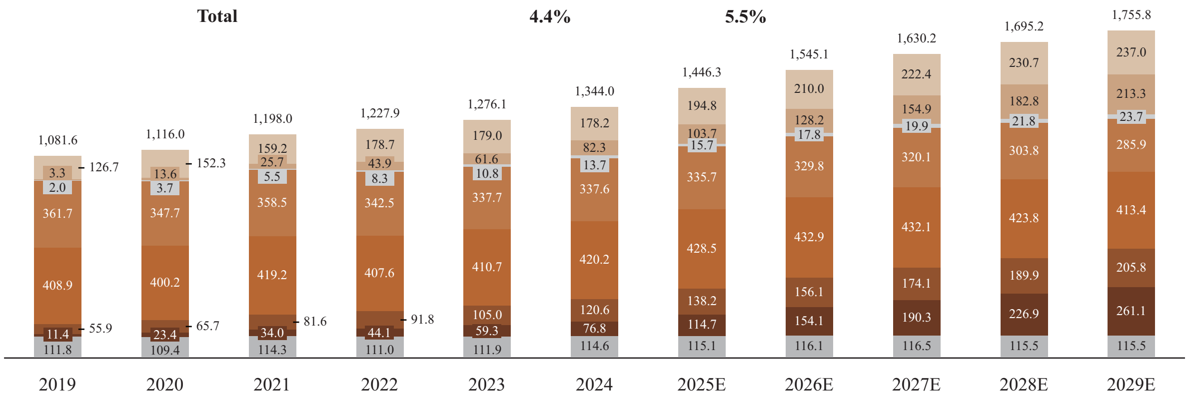
Source: China Non-staple Food Circulation Association, China Insights Consultancy

The sales channels for snack in China include online platforms such as (i) traditional e-commerce, (ii) content-based e-commerce, and (iii) other online channels including on-demand e-commerce and private domain channels, as well as offline channels like (i) supermarkets, (ii) mom-and-pop stores and convenience stores, (iii) snack stores, (iv) discount stores, and (v) other offline channels such as vending machine, cosmetics stores with snack offering, etc. Among online channels, content-based e-commerce is growing at a rapid speed, and is playing an increasingly important role. In 2024, it generates a retail sales value of RMB82.3 billion with a CAGR of 90.3% from 2019 to 2024. In the next five years, it is still expected to grow at a faster pace than traditional e-commerce platforms, reaching RMB213.3 billion in 2029. Among offline channels, discount stores are expected to see rapid growth, which is anticipated to partially replace mom-and-pop stores and convenience stores, as well as supermarkets and hypermarkets. The market share of discount stores in offline channels in China's snack market was 7.2% in 2024, and it is expected to rise to 20.4% by 2029.

Market size of China's snack market, by sales channel, in terms of retail sales value, 2019–2029E

RMB bn

CAGR	2019–2024	2024–2029E
Traditional e-commerce	7.1%	5.9%
Content-based e-commerce	90.3%	21.0%
Other online channels	47.3%	11.6%
Supermarkets and hypermarkets	–1.4%	–3.3%
Mom-and-pop stores and convenience stores	0.5%	–0.3%
Snack stores	16.6%	11.3%
Discount stores	46.6%	27.7%
Other offline channels	0.5%	0.2%
Total	**4.4%**	**5.5%**



Source: China Non-staple Food Circulation Association, China Insights Consultancy

Market Drivers and Trends

- ***Emphasis on value for money:*** In recent years, China's well-developed online retail has fully educated consumers, enabling them to no longer irrationally pay brand premiums for branded products, and at the same time, consumers' demand for high-quality, differentiated and cost-effective goods has increased significantly, making the trend toward hard discount and focus on value for money inevitable. Companies offering hard discount achieve cost leadership and low pricing through economies of scale and efficient supply chain management, rather than simply relying on wholesale discounting. By adopting these strategies, companies are able to drive higher sales volume while maintaining healthy margins, positioning themselves for sustained growth in the future.

- ***Expanding consumer base:*** With economic growth and rising disposable income, the consumer base of snacks in China continues to expand. Increasing demand across various age groups is driving further market segmentation and diversification. Additionally, the growing consumption potential in lower-tier markets is unlocking new opportunities, creating a broader space for industry development.

- ***Diversified consumption scenarios and evolving urbanization driving higher purchase frequency:*** Changes in lifestyles have led snacks to become an integral part of daily diets for Chinese consumers. In addition to traditional consumption scenarios such as leisure and social gatherings, snacks are increasingly consumed in more diverse settings, including for gifting purposes, commuting, fitness and office breaks. The expansion of e-commerce and O2O channels has improved consumer access to snacks, further accelerating the frequency of snacks consumption. Moreover, rapid urbanization and the shift toward more community-based living have led to denser urban populations and increasingly diverse commercial formats. Community business districts are gradually becoming important high-frequency consumption hubs for daily shopping and leisure activities. These changes in geographic and demographic structures make it easier for consumers to access instant and convenient products like snacks, further increasing purchase frequency.

- ***Continuous innovation in products and packaging:*** Snack is one of the most innovative categories among all FMCG products, with product diversification and continuous innovation serving as key market drivers. Meanwhile, innovation in packaging specification also plays a crucial role in meeting the varied needs of consumers across different scenarios, including travel, sports, gifting, social gatherings, enhancing consumer experience and expanding consumption occasions. For instance, single-serve, portable packaging for on-the-go consumption is popular among busy professionals and students, while resealable, larger packs are designed for sharing during social gatherings or family outings. These innovations not only meet practical needs but also create new avenues for consumption, further fuelling the growth of the snack market.

- ***Omni-channel integration and channel innovation:*** Omni-channel approach and channel innovation provide consumers with a more diverse, convenient, and cost-effective shopping experience. The development of omni-channel strategies, where consumers can browse and purchase products seamlessly across different platforms, empowers shoppers. Additionally, China's snack market is also experiencing continuous innovation of sales channels to meet the evolving preferences of consumers, who increasingly seek flexible and diverse shopping options. For example, the rise of content-based e-commerce platforms has revolutionised how consumers engage with products, combining entertainment and shopping for an immersive experience. Meanwhile, community-based discount stores are gaining popularity by combining the convenience of physical locations, the cost-effectiveness of hard discounting, and the diversity of products altogether, meeting the growing demand for affordable and high-quality snack.

- ***Supply chain optimization with smart manufacturing and infrastructure support:*** In response to the current challenges facing China's snack market, such as inconsistent product quality and low efficiency in production, companies are increasingly turning to self-built production facilities or supply chains, automation, and smart manufacturing as key strategies for future growth. By establishing their own production facilities or vertically integrating their supply chains, companies can gain greater control over product quality, reduce dependence on external suppliers, respond more effectively to consumer preferences, and improve overall efficiency. In addition to internal efforts, the continuous enhancement of external infrastructure is also driving improvements in supply chain performance. In recent years, the rapid development of China's logistics and transportation networks has significantly increased the efficiency of express delivery and long-haul freight, compressing both lead times and logistics costs. This transformation has compelled companies to optimize the entire value chain — from raw material sourcing and production to final delivery — enabling more precise, end-to-end supply chain management. At the same time, the gradual adoption of digital tools such as AI across various processes such as sales data analysis, budgeting, production planning, and logistics scheduling is helping the snack industry transition from traditional, large-scale, rough-cut operations to a smarter and more agile supply chain model. This shift is accelerating the industry's evolution toward high-quality, sustainable development.

COMPETITIVE LANDSCAPE OF CHINA'S SNACK MARKET

Competitive Landscape

China's snack market is highly fragmented, with a large number of white-label companies capturing a significant market share. The top five and top ten companies by retail sales value in 2024 only account for 5.9% and 10.4% of total market share respectively. The Company is the only one among top five snack companies in China with independent capabilities across the full industry chain from production, to branding and self-operated sales channels. The Company has the potential to integrate the market share from the vast white-label competitors with the proposition of "accessible premium products", driving the market to become more concentrated into few leading companies in the future.

China's snack market is experiencing a trend of Chinese substitution. Chinese snack companies with insights into local culture, taste preferences, and consumption trending introduce products that precisely meet local market demands. The Company, as the largest Chinese snack company in China's snack market, is the only one among the top five snack companies that achieve double-digit growth. With the growing consumer preference for Chinese brands, Chinese companies are expected to capture more market shares.

According to the CIC Report, in terms of retail sales value in 2024, the Company is the fourth largest snack company in China, with the highest growth among the top five snack companies in China by 2022–2024 CAGR of the retail sales value. Meanwhile, the Company is the largest Chinese snack company in China and the largest online snack company in China.

Top five companies in China's snack market, in terms of retail sales value, 2024

Rank	Company/Group Name	Retail sales value, 2024, RMB in billions	Market share, 2024, %[1]	CAGR of retail sales value during 2022 to 2024, %
1	Company A[2]	21.29	1.58%	4.57%
2	Company B[3]	15.88	1.18%	7.42%
3	Company C[4]	15.02	1.12%	–1.74%
4	**The Company**	**13.98**	**1.04%**	**18.86%**
5	Company D[5]	13.48	1.00%	–2.64%

Source: China Insights Consultancy

Notes:

(1) Refers to the proportion of retail sales value for each company in the market size of China's snack market in 2024.

(2) Established in 1911 in Tacoma, USA, Company A is a non-listed food company with business operation globally.

(3) Established in 1903 in Chicago, USA, and listed in 2012 on NASDAQ, Company B is a food and beverage company with business operation globally.

(4) Established in 1902 in New Bern, USA, and listed in 1978 on New York Stock Exchange, Company C is a food and beverage company with business operation globally.

(5) Established in 1962 in Taiwan, China, and listed in 2008 on Hong Kong Stock Exchange, Company D is a snack and beverage company with business operation primarily in China.

Top five Chinese companies in China's snack market, in terms of retail sales value, 2024

Rank	Company/Group Name	Retail sales value, 2024, RMB in billions	Market share, 2024, %[6]
1	**The Company**	**13.98**	**1.04%**
2	Company D	13.48	1.00%
3	Company E[7]	13.20	0.98%
4	Company F[8]	12.85	0.96%
5	Company G[9]	11.90	0.89%

Source: China Insights Consultancy

Notes:

(6) Refers to the proportion of each Chinese company's retail sales value in the market size of China's snack market in 2024.

(7) Established in 1989 in Fujian Province, China, Company E is a non-listed snack and beverage company with business operation primarily in China.

(8) Established in 1996 in Fujian Province, China, Company F is a non-listed snack and beverage company with business operation primarily in China.

(9) Established in 2006 in Hubei Province, China, and listed in 2020 on Shanghai Stock Exchange, Company G is a snack company with business operation primarily in China.

Top five companies in China's online snack market, in terms of retail sales value, 2024

Rank	Company/Group Name	Retail sales value, 2024, RMB in billions	Market share, 2024, %[10]
1	**The Company**	**8.76**	**3.20%**
2	Company A	3.41	1.24%
3	Company G	3.10	1.13%
4	Company C	3.01	1.10%
5	Company B	2.38	0.87%

Source: China Insights Consultancy

Notes:

(10) Refers to the proportion of each company's online retail sales value in the market size of China's online snack market in 2024.

According to the CIC Report, the Company has multi-categories expansion capabilities, ranking on the top in various categories such as nuts and seeds, meat and aquatic animal snacks, baked snacks, fruit snacks, children's snack, crispy snacks and biscuits, and seasoned flour products.

Based on the retail sales value in 2024, the Company ranks first in tree nut snacks market, third in children's snack market, third in fruit snack market, fifth in seasoned flour products market, sixth in baked snack market, and ninth in meat and aquatic animal snack market, with market shares of 3.89%, 2.62%, 0.91%, 0.31%, 1.10%, and 1.27% respectively.

Based on the retail sales value in 2024, the Company is the largest company in online nuts and seeds market, online baked snack market, and online meat and aquatic animal snack market. The Company also ranks second in online children's snack market and online fruit snack market, third in online seasoned flour products market, and eighth in online crispy snacks and biscuits market, with market shares of 16.15%, 2.26%, 3.17%, 8.65%, 2.80%, 1.56%, and 0.63% respectively.

Entry Barriers and Key Success Factors

- ***Full industry chain capabilities:*** Leading companies invest heavily and constantly to build independent capabilities that extend fully to upstream and downstream of the industry chain to create advantages in purchase, production, distribution and sales, which has become one of the entry barriers of the industry. Leading companies purchase raw materials in large-scales while establishing planting bases. They also build own factories and distribution centres, and reach the end consumers by deploying from online channels to offline self-operated stores. Leading companies that integrate the entire industry chain can fully utilize the synergies of segments to achieve unit cost reductions and economies of scale. These capabilities assist companies to optimize resource integration and gain the competitive edge in offering value for money and premium quality advantages over white-label companies and those with limited expertise in specific industry chain segments.

- ***Full categories and omni-channel deployment:*** The consumer base in China's snack market is vast and diverse, with varied and rapid evolving demands for products. In parallel, the market has experienced a decentralization of sales channels, driven by the raise of new channels such as content-based e-commerce and discount stores, which cater to the different consumer needs. Leading companies deploying full categories and omni sales channels strategies are better positioned to address demands of potential consumers and capture shifting consumption trends. Additionally, leading companies possess rare brand-empowering capabilities in the market, by launching new brands with clear positioning and unique features to transfer previous advantages in products and channels into new categories and build a multiple-brands matrix, outpacing competitors who focus on a single category.

- ***Digitization and intelligence:*** Digitalization and intelligence have become one of the critical success factors in the snack market. Leading companies equipped with advanced digital and intelligent capabilities can integrate the full industry chain and achieve bidirectional data flow by leveraging information systems like digital supply chains and data mid-platforms to access real-time data on production, logistics, sales and other aspects of operations. They can coordinate manufacturing across multiple factories, arrange optimal transportation routes, and refine marketing strategies and products designs, thereby improving the overall operational efficiency and market penetration.

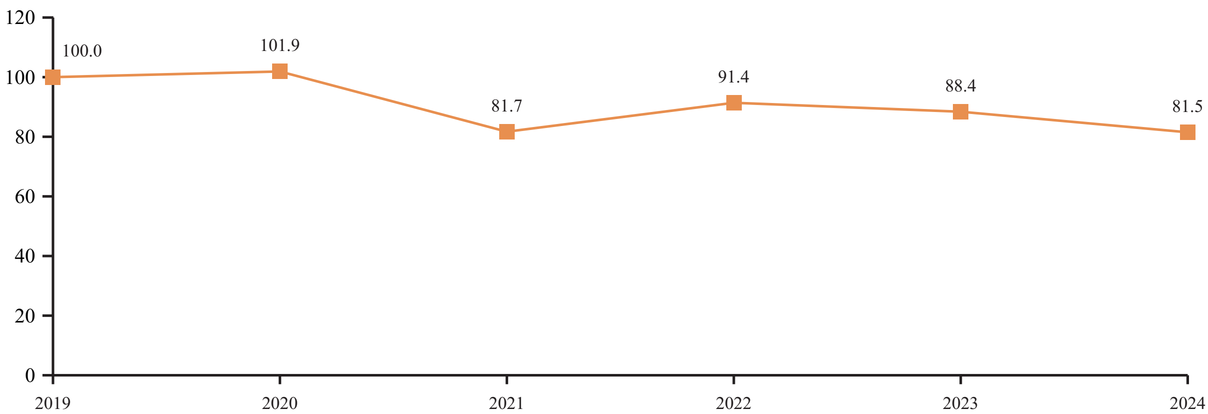
- ***Product strength and brand awareness:*** Leading companies with excellent R&D and innovation capabilities can develop a comprehensive methodology around each stage of new product development. This approach enables them to identify unique selling points to launch more attractive products that meet ever-changing consumer demands. Furthermore, Leading companies invest substantial time and resources to ensure product quality and guarantee food safety, while also promoting their brands and manage public relationship, to maintain a strong brand awareness and positive reputation, enabling companies to establish consumer loyalty. However, building the strength requires long-term interaction and trust between companies and consumers, making it difficult for new entrants to achieve the strength in the short term.

- ***Organizational management capabilities:*** With scales expansion, companies usually face management and operational challenges arising from the continuous increase in labours, supply chain complexity, product variety, and organizational size. Leading companies with strong organizational management capabilities can implement innovative organizational structures to address these challenges. By streamlining decision-making processes, deploying flexible project groups, enhancing cross departmental resource sharing, and decentralizing decision-making authority, these companies manage their teams more effectively and precisely, fostering employee independence and creativity. Additionally, leading companies use digital tools to enhance organizational efficiency, driving sustained and rapid growth. In contrast, new entrants with weaker organizational management capabilities are likely to face challenges in management as their scale, placing them at a competitive disadvantage.

COST ANALYSIS

Raw material cost is one of the major costs in China's snack market. In the largest category, nuts and seeds, raw materials primarily consists of all types of nuts and seeds, including macadamia, almonds, pecans, walnuts, and others. The Producer Price Index (PPI) for nuts and seeds in China has remained relatively stable over the past five years, despite some fluctuations caused by factors such as supply chain disruptions during the pandemic, and abnormal weather in some production areas. Looking ahead, the PPI of nuts and seeds in China is expected to continue on a steady path.

Producer price index of nuts and seeds, China, 2019–2024 (2019=100)



Sources: Food and Agriculture Organization of the United Nations, China Insights Consultancy

SOURCES OF THE INDUSTRY INFORMATION

We engaged CIC, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the FMCG market and snack market in China for use in this document, which was commissioned by us for a fee of RMB560,000. CIC prepared its report based on data released by government institutions and non-government organizations and its primary and secondary research. CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics of China, the China Non-staple Food Circulation Association, and the Food and Agriculture Organization of the United Nations, among others.

Forecasts and assumptions included in the CIC Report are inherently uncertain because of events or combinations of events that cannot be reasonably foreseen, including, without limitation, the actions of governments, consumers, competitors and other third parties. Specific factors that could cause actual results to differ materially include, among other things, risks inherent in the FMCG and snack industry, social and economic factors, supply risks, regulatory risks and environmental concerns, labor risks, financing risks, force majeure or unforeseen events. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. Our Directors confirm that, after taking reasonable care, there is no material adverse change in the overall market information since the date of the CIC Report that would materially qualify, contradict or have an impact on such information.

REGULATIONS ON ESTABLISHMENT, OPERATION AND MANAGEMENT OF OUR GROUP COMPANIES IN THE PRC

PRC Company Law

On December 29, 1993, the Standing Committee of the National People's Congress ("**SCNPC**") issued the PRC Company Law (《中華人民共和國公司法》) (the "**Company Law**"), which was last amended on December 29, 2023. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

A joint stock limited company refers to an enterprise legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

The shareholders' meeting is the authority of the company, which exercises its powers in accordance with the PRC Company Law. The shareholders' meeting shall exercise the following functions and powers:

(1) electing and replacing directors and supervisors and deciding on their remunerations;

(2) reviewing and approving the reports of the board of directors;

(3) reviewing and approving the reports of the board of supervisors;

(4) reviewing and approving the plans for profit distribution and making up losses of the company;

(5) making resolutions on the increase or decrease of the registered capital of the company;

(6) making resolutions on the issuance of corporate bonds;

(7) making resolutions on the merger, split-up, dissolution, liquidation or change of corporate form of the company;

(8) amending the articles of association; and

(9) other functions and powers as prescribed in the articles of association.

The shareholders' meeting may authorize the board of directors to make resolutions on the issuance of corporate bonds.

An annual shareholders' meeting shall be held every year. If any of the following circumstances occurs, an interim shareholders' meeting shall be held within two months:

(1) where the number of directors is less than two thirds of the number as provided for by PRC Company Law or the articles of association;

(2) where the outstanding losses of the company amounted to one-third of the company's total capital stock;

(3) where shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary meeting;

(4) where the board of directors deems it necessary;

(5) where the board of supervisors proposes; or

(6) any other circumstances as provided for in the articles of association.

The shares held by a shareholder may be transferred to other shareholders or to persons other than the shareholders of the company. Where the articles of association of the company have any restriction on the transfer of shares, the transfer shall be carried out in accordance with the articles of association. The share transfer by a shareholder shall be conducted on a lawfully established stock exchange or by any other means as prescribed by the State Council.

The shares shall be transferred by a shareholder in the form of endorsement or by any other means prescribed by the relevant laws or administrative regulations. After the transfer, the company shall record the name and domicile of the transferee in the register of shareholders. The register of shareholders shall not be modified within 20 days before any shareholders' meeting is held, or within 5 days prior to the benchmark date decided by the company for the distribution of dividends. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

Foreign investment

A foreign-invested company is also subject to the PRC Company Law unless otherwise provided by the foreign investment laws. Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) was promulgated by the National People's Congress (the "**NPC**") on March 15, 2019 and became effective on January 1, 2020. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020. On December 30, 2019, the Ministry of Commerce of the People's Republic of China (the "**MOFCOM**") issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

Investment activities in the PRC by foreign investors and foreign-invested enterprises shall comply with the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List 2024**") which was promulgated by the National Development and Reform Commission (the "NDRC") and MOFCOM on September 6, 2024 and became effective on November 1, 2024, and the Catalog of

Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraging Catalog 2022**") which was promulgated by the NDRC and the MOFCOM on October 26, 2022 and became effective on January 1, 2023. Pursuant to the Encouraging Catalog 2022 and the Negative List 2024, foreign-invested projects are categorized as encouraged, restricted and prohibited. Foreign-invested projects that are not listed in the Negative List 2024 are permitted foreign invested projects.

REGULATIONS ON FOOD PRODUCTION, SALE AND SAFETY

Licensing system for food production and sale

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》, the "**the Food Safety Law**"), which was promulgated by the SCNPC on February 28, 2009,and last amended on April 29, 2021 and entering into force since the same day and the Implementing Rules on the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》, the "**Implementing Rules on the Food Safety Law**"), which was promulgated by the State Council on July 20, 2009 and amended on February 6, 2016 and October 11, 2019, with effect from December 1, 2019, the state adopts a licensing system for food production and sale. To engage in food production, food sale and catering services, a license shall be obtained in accordance with the law. According to the Measures for the Administration of Food Production Licensing (《食品生產許可管理辦法》), which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局), which has been integrated to form the State Administration for Market Regulation of the PRC（"**SAMR**", 中華人民共和國國家市場監督管理總局）, on January 2, 2020 with effect from March 1, 2020, the validity term for a food production license is five years. If the enterprise that has the food production license needs to extend the validity term of its legally obtained food production license, it shall file an application for replacement of the license with the original licensing authority within 30 working days prior to the expiry of the validity term of the food production license. Where no application is filed for extension of the license upon expiry of the validity term, the original licensing authority shall conduct the cancelation procedures of the food production license.

In accordance with the Administrative Measures for Food Operation Licensing and Record-filing (《食品經管許可和備案管理辦法》) promulgated by the SAMR on June 15, 2023 and became effective on December 1, 2023, a food operation licensing shall be obtained in accordance with the law to engage in food selling and catering services within the territory of the People's Republic of China. The food operation licensing is not required under any of the following circumstances: (I) sales of edible agricultural products; (II) sales of prepackaged food only; (III) medical institutions and drug retailers sell specific total nutrition formula food in the formula food for special medical purposes; (IV) food producers that have been granted a food production licensing sell the food they produce at their production and processing places or via the Internet; and (V) other circumstances under which the food operation licensing is not required according to laws and regulations. The food operation licensing shall be obtained in accordance with the law to carry out other food operation items except for the above circumstances. The sale of prepackaged food only shall be filed for record with the local market regulatory authority at or above the county level.

On November 29, 2021, the SAMR promulgated the Announcement on Matters relating to the Record-filing for the Sale of Only Pre-packaged Food (《關於僅銷售預包裝食品備案有關事項的公告》), which stipulates that an entity trading in food but only for sale of pre-packaged food shall apply for the record-filing when registering for market entity registration. The record-filing formalities shall be completed before carrying out such businesses. Those who have obtained food operation licenses are not required to go through the record- filing before the expiration of their food operation licenses.

Personnel health management system

In accordance with the Food Safety Law, food producers and operators shall establish and implement a personnel health management system. The personnel suffering from disease that affects food safety according to the regulations of the health administration department under the State Council shall not engage in work that involves contact with ready-to-eat food. The personnel who engage in work that involves contact with ready-to-eat food shall have physical check-up each year and shall obtain healthy certificates prior to working.

Procurement inspection record system and food pre-delivery examination record system

According to the Food Safety Law as well as the Implementing Rules on the Food Safety Law, when purchasing food raw materials, food additives and food-related products, food producers shall check the licenses and food eligibility certification documents of the suppliers. The food raw materials whose eligibility certification documents are unavailable shall be inspected in accordance with the food safety standards; no food raw materials, food additives or food-related products that fail to meet the food safety standards may be procured or used. Food production enterprises shall establish a procurement inspection record system of food raw materials, food additives and food-related products, and truthfully record the names, specifications, quantities, production date or batch numbers, shelf life, names, address and contact information of suppliers, dates of purchase, etc. of the food raw materials, food additives and food-related products. The procurement inspection records of food raw materials, food additives and food-related products shall be true, and shall be kept for at least six months after the expiration of the shelf life; if there is no explicit shelf life, the records shall be kept for at least two years. Food production enterprises shall establish a food pre-delivery examination record system, to check the inspection certificates and the safety conditions of pre-delivery food and truthfully record the names, specifications, quantities, dates of production or batch numbers, shelf life, numbers of inspection certificates, names, address and contact methods of purchasers, dates of sales, etc. of the food. The food pre-delivery examination records shall be true, and shall be kept for at least six months after the expiration of the shelf life; if there is no explicit shelf life, the records shall be kept for at least two years.

Food Safety

According to the Food Safety Law, food producers shall inspect the food produced by themselves in accordance with food safety standards. Food producers may either carry out inspection on the food on their own or entrust the inspection to a food inspection institution complying with the provisions of relevant laws.

The packages of pre-packed food

According to Food Safety Law, the packages of pre-packed food shall bear labels. The labels shall state the following matters, such as name, specifications, net content and date of production; list of ingredients or components; producer's name, address and contact details; shelf life; product standard code; storage conditions; the general name of the food additives used in the national standards; serial number of food production license; and other items that must be indicated according to laws, regulations or food safety standards. The labels of the staple and supplementary food exclusively for infants and babies and other specific groups of people shall also indicate the principal nutritional ingredients and their contents.

Food recall system

Also under the Food Safety Law as well as the Implementing Rules on the Food Safety Law, the Administrative Measures for Food Recall (《食品召回管理辦法》) was promulgated by the SAMR on October 23, 2020. The Administrative Measures for Food Recall provides the detailed rules on the food recall system. Where a food producer finds that the food produced by it does not comply with the food safety standards, it shall immediately stop the production, recall the food on the market for sale, notify the relevant producers and traders, as well as consumers, and record the recall and notification. Where a food trader finds that the food traded by it does not comply with the food safety standards, it shall immediately stop the trading, notify the relevant producers and traders, as well as consumers and record the cessation of trading and the notification. Where the food producers consider that the food should be recalled, the food shall be recalled immediately. The food producers shall take such measures as remedy, destruction and harmless treatment for the recalled food, and report the recalling and treatment of the recalled food to the quality supervision department at or above the county level. Where the food producers or traders fail to recall or stop trading of the food failing to comply with the food safety standards in accordance with the provisions of the Food Safety Law as well as the Implementing Rules on the Food Safety Law, the food safety supervision and administration departments at or above the county level shall order them to recall or stop trading.

Food import and export

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 and recently amended on December 30, 2022, foreign trade operators have been exempted from the registration requirement since December 30, 2022. The amended law grants the PRC government the authority to allow the free import and export of commodities and technologies, except where specified otherwise by other laws and administrative regulations

Under the Food Safety Law and the Implementing Rules on the Food Safety Law, the imported food, food additives and food-related products shall meet the national food safety standards of the PRC. A food importer shall apply for inspection with the entry and exit inspection and quarantine institution at the place of customs declaration by presenting necessary vouchers and relevant approval documents such as contract, invoices, packing note, bill of lading, etc.. The food imported shall pass the inspection conducted by the entry and exit inspection and quarantine institution. For any food that is imported which are not regulated by the requirements of the national food safety standards, the overseas exporter, overseas food producer or its entrusted importer shall file and submit the applicable standards of relevant countries (regions) or international standard to the health administration department under the State Council.

The imported pre-packed food and food additives shall be accompanied with labels and instructions (if the instructions are required under relevant PRC laws and regulations) written in Chinese. The labels and instructions shall be consistent with the provisions of the Food Safety Law and the Implementing Rules on the Food Safety Law and other relevant laws and administrative regulations of the PRC and the requirements of the national food safety standards, and indicate the origin of food and name, address and contact methods of the domestic agent. Where any pre-packed food is not accompanied with labels or instructions in Chinese or the labels or instructions are not consistent with the requirements, the pre-packed food shall not be imported. The importer shall establish a food and food additives import and sale record system to truthfully record the names, specifications, quantities, dates of production, batch numbers of production or import, shelf life, names, address and contact methods of exporters and purchasers, dates of delivery, etc. of the food and food additives. Such import and sale records shall be true, and shall be kept for at least six months after the expiration of the shelf life; if there is no explicit shelf life, the records shall be kept for at least two years.

The food to be exported shall be subject to supervision and sample inspection of the entry and exit inspection and quarantine institution. The customs office shall release the food on the basis of a customs clearance certificate issued by the institution for entry and exit inspection and quarantine. The production enterprises of exported food shall guarantee that their exported food has met the standard of the importing country (region) or the requirements in their contract. The production enterprises of exported food and the planting and breeding farms of raw materials for exported food shall file a record with the entry and exit inspection and quarantine department of the State.

Online Food Safety

According to the Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》) promulgated by the SAMR on March 15, 2021 and became effective on May 1, 2021, online transaction operators shall disclose product or service information comprehensively, truthfully, accurately, and in a timely manner to protect consumers' right to know and to choose. Online trading operators who carry out online trading activities through online social networking, webcasting, and other online services shall display goods or services, their actual business entities, after-sales service, and other information in a conspicuous manner, or the link identification of the above-mentioned information.

According to the Measures on the Punishments and Disciplinary Actions for Online Food Safety (《網絡食品安全違法行為查處辦法》) promulgated on July 14, 2016, which was last amended by the SAMR on April 2, 2021 and became effective on June 1, 2021, SAMR takes charge of the supervision and guidance of the investigation and punishment on illegal conducts concerning online food safety nationwide, and the local market regulatory authorities at and above the county level take charge of the investigation and punishment on illegal conducts concerning online food safety within their administrative regions.

Supervision on the use of food additives

Pursuant to the Food Safety Law, no food additive may be used in food unless it is technically deemed necessary and has been proven to be safe and reliable upon risk assessments. The relevant national food safety standard shall be revised, on the basis of the technical requirements and the results of the food safety risk assessments, in a timely manner. A food producer should use food additives in accordance with the national food safety standards.

According to the Measures for the Administration of New Varieties of Food Additives (《食品添加劑新品種管理辦法》) which was promulgated by the Ministry of Health of the PRC（中華人民共和國衛生部）on March 30, 2010 and amended on December 26, 2017, new varieties of food additives refer to the varieties which are not included by food safety national standards, or not listed in the permitted use catalog announced by National Health and Family Planning Commission ("**NHFPC**", which has been integrated to form the National Health Commission of the PRC (("**NHC**", 中華人民共和國國家衛生健康委員會)), or the varieties whose scope or dosage has been enlarged. The NHFPC is responsible for the examination and permission of the application submitted by enterprises or individuals who are engaging in producing, operating, using or importing new varieties of food additives. Based on the technical features and food safety risk analysis of the above-mentioned new variety of food additives, the NHFPC shall make public and announce the permitted food additives varieties, scope of use and dosage of food additives varieties to be permitted under the food safety national standards. The NHFPC shall, based on the technical necessity and food safety risk assessment results, make and publish the varieties whose use has been permitted by announcement as well as the range of use and dosage thereof as food safety national standards by the procedure of food safety national standards. The NHFPC shall make a timely reassessment when safety problems of food varieties caused are proved by scientist research or supported by other proof, or the technical need is on longer essential. Approved varieties of food additives may have the relevant approval revoked and the scope of use and dosage may be revised by the NHFPC if the applicant fails the re-examination.

Food Advertisement

According to the Advertising Law of the PRC (《中華人民共和國廣告法》) promulgated by SCNPC on October 27, 1994 and most recently revised on April 29, 2021, advertisement shall not contain any false or misleading information, and shall not deceive or mislead consumers. Each advertiser, advertising agent or advertisement publisher shall, when engaging in advertising activities, comply with laws and regulations, act in good faith, and conduct fair competition. In any advertisement, where there are statements regarding the performance, function, place of origin, purpose, quality, ingredients, price, producer, valid period and guarantees of the product, or the content, provider, form, quality, price and guarantees of the service, such statements shall be accurate, clear and explicit. Where an advertising agent or advertisement publisher designs, produces, provides agency for or publishes an advertisement even though it knows or should know the advertisement is in violation of the foregoing provisions, the market regulation department shall order the cessation of the publishing of advertisements and impose fines of not more than RMB100,000.

Product quality

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) which was promulgated by the SCNPC on February 22, 1993 and last amended on December 29, 2018, producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers and sellers are responsible for the product quality according to the provisions of the laws.

Quality of products shall pass standard examinations and no substandard products shall be used as standard ones. Industrial products which may be hazardous to the health of the people and the safety of lives and property shall conform to the state and trade standards for ensuring the health of the human body and safety of lives and property. In absence of such state or trade standards, the products shall conform to the minimum requirements for ensuring the health of the human body and the safety of lives and property. It shall be prohibited to produce or sell industrial products that do not come to the requirements and demands for physical health and safety of body and property. Producers or sellers shall be responsible for any compensation arising from their unlawful acts such as production or sales of defective, eliminated or ineffective products, faking the place of origin or quality marks, mixing or adulterating products or passing off imitations as genuine, substandard products as quality ones or non-conforming products as conforming. Proceeds from the sales may be confiscated, the business license may be revoked and penalties may be imposed. If the case is serious, criminal responsibilities shall be investigated. Producers or sellers shall be liable for any damage to any person or property due to the defects of products resulting from the default of the producers or sellers.

REGULATIONS ON CONSUMER PROTECTION AND COMPETITION LAW

Consumer protection

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》, the "**Consumer Protection Law**"), which was promulgated by the SCNPC on October 31, 1993, took effect from January 1, 1994 and was amended on August 27, 2009 and October 25, 2013.

According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities or receive services for the purposes of daily consumption are protected and all manufacturers and distributors involved must ensure that the products and services they provide will not cause damage to the safety of consumers and their properties. Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business license will be revoked. Criminal liability may be incurred in serious cases.

According to the Part VII tort liability of the Civil Code of the People's Republic of China (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and became effective on January 1, 2021, in the event of an injury caused by a defective product, either the manufacturer or seller of such product, as a tortfeasor, may be subject to tortious liability and relevant remedies seeking by the consumers. If the product defect is caused by the manufacturer, the manufacturer shall be held responsible and the seller, if having made the compensation, shall be entitled to seek reimbursement from the manufacturer. If, on the other hand, the defects of the products are caused by the fault of the seller, the seller shall be held responsible and the manufacturer, if having made the compensation, shall be entitled to seek reimbursement from the seller.

According to the Administrative Measures on Single-purpose Commercial Prepaid Cards (Trial Implementation) (《單用途商業預付卡管理辦法(試行)》) promulgated by the MOFCOM on September 21, 2012 and last amended on August 18, 2016, the Single-purpose commercial prepaid cards shall refer to the prepaid certificates issued by an enterprise engaging in retail industry, accommodation and catering industry and residential services industry which are limited to be used as payment for goods or services by the enterprise or within the group to which the enterprise belongs or within the franchise system of the same brand, including physical cards in the form of magnetic stripe cards, chip cards, paper coupons, etc as well as virtual cards in the form of passwords, string codes, graphics, biometric information, etc. The MOFCOM shall be responsible for administration of the nationwide single-purpose card industry. The commerce administrative authorities of local People's Governments of county level and above shall be responsible for supervision and administration of single-purpose cards within the administrative region. Card-issuers shall complete filing formalities within 30 days from the date of carrying out single-purpose card businesses.

Competition law

Competitions among the business operators are generally governed by the Law of the PRC for Anti-Unfair Competition (《中華人民共和國反不正當競爭法》, the "**Anti-Unfair Competition Law**"), which was promulgated by the SCNPC on September 2, 1993, took effect from December 1, 1993 and was amended on November 4, 2017 and April 23, 2019. According to the Anti-Unfair Competition Law, when trading in the market, operators should abide by the principles of involuntariness, equality, fairness, honesty, and credibility, and abide by laws and recognized business ethics. An operator, in violation of the Anti-Unfair Competition Law, disrupting the competition order, and infringing the legitimate rights and interests of other operators or consumers, constitutes unfair competition. When the legitimate rights and interests of an operator are damaged by unfair competition, it may start a lawsuit in the people's court. In contrast, if an operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition and causes damage to another operator, it shall be liable for damages. If the damage suffered by the injured operator is difficult to access, the amount of damages shall be the profit obtained by the infringer through the infringement. The infringer shall also bear all reasonable expenses paid by the infringed operator to stop the infringement.

Price law

According to the Price Law of the PRC (《中華人民共和國價格法》, the "**Price Law**") promulgated by the SCNPC on December 29, 1997 and took effect from May 1, 1998, operators should observe the following principles when determining prices: fairness, lawfulness and good faith. The production and operation costs and the market supply and demand situation should be the fundamental basis for the operator to determine the price. When selling or purchasing goods and providing services, the operator shall clearly indicate the price and indicate the name, origin of production, specifications, grade, valuation unit and price of a commodity, or service item, charging standards and other related particulars in accordance with the requirements of the competent government price department. Operators shall not sell the goods at a price beyond the marked price or charge unspecified fees on the top of price indicated. In addition, operators may not take illegitimate pricing actions, such as colluding with others to manipulate market prices and damaging the legitimate rights and interests of other operators or consumers. Any operator engaged in the act of illegitimate pricing stipulated by the Price Law shall be ordered to make corrections, have the illegal income be confiscated, and may be imposed a fine of no more than five times of its illegal income; if the circumstances are serious, the business combination shall be ordered to suspend for rectification, or the administrative department for industry and commerce shall revoke the business license. In addition, any operator who causes consumers or other operators to pay higher prices due to illegal pricing acts should refund the overpaid portion; if damage is caused, it shall be liable for compensation according to law. Any operator who violates the clearly marked price shall be ordered to make corrections, have the illegal income be confiscated, and may be imposed a fine of no more than RMB5,000.

REGULATIONS ON FRANCHISED COMMERCIAL OPERATION

Franchised operation is subject to the supervision and administration of the MOFCOM and its local competent commercial departments. These activities are currently regulated by the Regulations on the Administration of Commercial Franchised Operation (《商業特許經管管理條例》) promulgated by the State Council on February 6, 2007 and became effective on May 1, 2007, which was supplemented by the Administrative Measures for the Record-filing of Commercial Franchises (《商業特許經營備案管理辦法》) promulgated by the MOFCOM on December 12, 2011 and amended on December 29, 2023 and the Administrative Measures for the Information Disclosure of Commercial Franchise (《商業特許經營信息披露管理辦法》) promulgated by the MOFCOM on February 23, 2012 and became effective on April 1, 2012.

According to the above-mentioned applicable regulations, franchisers may engage in franchised operation activities on conditions that they shall have a mature operation model and be capable of providing continuous operation guidance, technical support, training services and other service support for franchisees, as well as owning at least two direct-sale stores in China with the operation period being more than one year. Where franchisers fail to conduct franchised activities in accordance with the above provisions, punishment may be imposed, such as confiscating the illegal proceeds and imposing a fine of above RMB100,000 but less than RMB500,000, and an announcement will be made by the MOFCOM or the local competent department of commerce. The franchise contract shall specify certain necessary provisions concerning terms, the right to terminate and payment.

Franchisers shall submit the business license, a draft of the franchise contract and other documents to the provincial competent commercial department where they are registered within 15 days from the date of the initial signing of the franchise contract with franchisees within China. Where a franchiser engages in franchised activities within the scope of two or more provincial areas, it shall file with the MOFCOM. Filing shall be performed by the franchisers complying with the above applicable regulations through the information management system for commerce franchises established by the MOFCOM. In addition, franchisers shall file with the commercial department concerning the execution, cancellation, termination and renewal of franchise agreements in the preceding year before March 31 of every year.

In case of any changes to franchisers' filing information, such changes shall also be filed with the relevant commercial department after occurrence. Where franchisers fail to file in accordance with such regulations, relevant commercial departments may order the franchiser to file within a stipulated period and impose a fine of more than RMB10,000 but less than RMB50,000. Failure to file within the stipulated period may render a fine of more than RMB50,000 but less than RMB100,000, and a public announcement.

REGULATIONS ON ROAD TRANSPORTATION PERMIT

Pursuant to the Regulations on Road Transportation of the PRC (《中華人民共和國道路運輸條例》)，which was promulgated by the State Council on April 30, 2004 and latest amended on July 20, 2023, and the Provisions on Administration of Road Freight Transportation and Stations (Sites) (《道路貨物運輸及站場管理規定》) which were issued by the Ministry of Transport of the PRC in June 2005 and latest amended in November 2023 (the "**Road Freight Provisions**"), the business operations of road freight transportation refer to commercial road freight transportation activities that provide public services. The road freight transportation includes general road freight transportation, special road freight transportation, road transportation of large articles, and road transportation of hazardous cargos. Special road freight transportation refers to freight transportation using special vehicles with containers, refrigeration equipment, or tank containers, etc. The Road Freight Provisions set forth detailed requirements with respect to vehicles and drivers, pursuant to which, anyone engaging in the business of operating road freight transportation must obtain a road transportation operation permit from the competent road transportation administrative bureau, and each vehicle used for road freight transportation must have a road transportation certificate. However, where an operator uses an ordinary freight vehicle of 4,500 kilograms or less to engage in general freight transportation business operations, it is not required to apply for a road transportation operation permit and a road transportation certificate.

REGULATIONS ON CYBERSECURITY

The Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**") was promulgated by the SCNPC on November 7, 2016 and became effective on June 1, 2017. According to the Cybersecurity Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network operators must take technical and other necessary measures as required by laws to safeguard the operation of networks, respond to network security events effectively, prevent illegal and criminal activities in the cyberspace, and maintain the integrity, confidentiality and usability of network data.

On December 28, 2021, the Cybersecurity Review Measures (《網絡安全審查辦法》) was issued by Cyberspace Administration of China ("**CAC**") jointly with other governmental authorities, which became effective on June 1, 2020 and amended on February 15, 2022. Under the Cybersecurity Review Measures, the procurement of network products and services by critical information infrastructure operators ("**CIIO**") and the data processing activities conducted by network platform operators which affect or may affect national security shall be subject to cybersecurity review. Besides, according to Article 7 of the Cybersecurity Review Measures, a network platform operator who holds the personal information of more than one million users and is seeking for listing in a foreign country must apply for a cybersecurity review. In addition, according to Article 16 of the Cybersecurity Review Measures, members of the cybersecurity review working mechanism may initiate cybersecurity review towards network products, network services, and data processing activities ex officio. Based on the Cybersecurity Review Measures, cybersecurity review shall focus on the assessment of a number of national security risk factors of the relevant object or situation, including but not limited to, risks of any illegal control or supply chain interruption of critical information infrastructure, and risks of illegal use or illegal cross-border transfer of data.

On September 24, 2024, the Regulations on Network Data Security Management (《網絡數據安全管理條例》) was issued by the State Council, which took effect on January 1, 2025. According to the Regulations on Network Data Security Management, network data handlers shall, in accordance with the provisions of laws and administrative regulations and the mandatory requirements of national standards, and on the basis of classified protection of cyber security, strengthen the protection of network data security, establish and perfect the system of network data security management, take technical measures to protect network data, and prevent illegal and criminal activities aiming at and using network data.

REGULATIONS ON PERSONAL INFORMATION AND DATA PROTECTION

According to the Cybersecurity Law, network operators shall abide by the "lawful, justifiable and necessary" principles to collect and use personal information by announcing rules for collection and use, expressly notifying the purpose, methods and scope of such collection and use, and obtain the consent of the person whose personal information is to be collected. No network operator may collect any personal information that is not related to the services it provides. It shall collect and use, and process and store personal the information in the light of laws and administrative regulations and agreement with the users. No network operator may disclose, tamper with or destroy personal information that it has collected, or disclose such information to others without prior consent of the person whose personal information has been collected, unless such information has been processed to prevent specific person from being identified and such information from being restored. A network operator shall take technical and other necessary measures to ensure the security of personal information it collects, and to protect such information from disclosure, damage or loss. In case of disclosure, damage or loss of, or possible disclosure, damage or loss of such information, the network operator shall take immediate remedies, notify the users in accordance with the relevant provisions, and report to competent authority.

According to the Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021, provides that China shall establish a data classification and grading protection system, formulate the important data catalogs to enhance the protection of important data and establish national core data management system to provide stricter protection of national core data. The conduct of data processing activities shall be in compliance with the provisions of laws and regulations, establishing and completing a data security management system for the entire workflow, organizing and conducting data security education and training, adopting corresponding technical measures and other necessary measures to ensure data security, strengthening risk monitoring, taking immediately disposition measures and promptly reporting to relevant authorities when data security incidents occur. Besides, data collection by any organization or individual shall be conducted by lawful and proper means and the data shall not be acquired by theft or other illegal means. Processors of important data shall specify the person responsible for data security and management agencies, implement data security protection responsibilities, periodically conduct risk assessments of such data processing activities as provided and submit risk assessment reports to the relevant authorities.

According to the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), which was promulgated by the SCNPC on August 20, 2021 and became effective on November 1, 2021, the handling of personal information includes the collection, storage, use, processing, transmission, provision, disclosure and deletion, etc. of personal information. The handling of personal information shall follow the principles of lawfulness, legitimacy, necessity and good faith, and it is not allowed to handle personal information by misleading, fraud, coercion or otherwise. The handling of personal information shall be for a definite and reasonable purpose, be directly related to the purpose of handling and shall be conducted in a way that minimizes the impact on personal rights and interests. The collection of personal information shall be limited to the minimum scope for achieving the purpose of handling and it is not allowed to excessively collect personal information. The handling of personal information shall follow the principles of openness and transparency, make public the rules for handling personal information and expressly indicate the purpose, method and scope of such handling. The quality of personal information shall be ensured in the handling of personal information to avoid the adverse impact on personal rights and interests caused by inaccurate or incomplete personal information. A personal information handler shall be responsible for its handling of personal information and take necessary measures to ensure the security of the personal information handled.

REGULATIONS ON OVERSEAS INVESTMENT

The Administrative Measures for Outbound Investment Management (《境外投資管理辦法》) was promulgated by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014. As defined by the Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall file with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

The Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) was promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018. As defined therein, overseas investment means any investment activities in which a domestic enterprise of the PRC obtains ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by way of contributing asset and/or interest or providing financing and/or guarantee. To conduct overseas investment, certain procedures shall be compiled with, including approval and record-filing of overseas investment project, reporting relevant information and cooperating with the supervision and inspection. The NDRC promulgated the Catalog of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018版)》), which was promulgated by the NDRC on January 31, 2018 and came into effect on March 1, 2018, to list the current sensitive industries in detail.

REGULATIONS ON OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES

The Securities Law of the People's Republic of China (《中華人民共和國證券法》, the "**PRC Securities Law**") took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The PRC Securities Law is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers of listed companies. Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

According to the details of the Decision of the Statement Council to Repeal Certain Administrative Regulations and Documents (《國務院關於廢止部分行政法規和文件的決定》) which was promulgated by the State Council on February 14, 2023 and became effective from March 31, 2023, the Special Regulations of the State Council concerning Floating and Listing of Shares Overseas by Companies Limited by Shares (《國務院關於股份有限公司境外募集股份及上市的特別

規定》) and the Notice of the State Council on Further Strengthening the Administration of Share Issues and Listings Overseas (《國務院關於進一步加強在境外發行股票和上市管理的通知》) were abolished from March3l, 2023. The CSRC promulgated the Trial Administrative Measures on the Overseas Securities Offering and Listing of Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five relevant guidelines on February 17, 2023, which became effective from March 31, 2023. The Trial Measures comprehensively reform the regulatory regime for overseas offering and listing of PRC domestic companies' securities, either directly or indirectly, into a filing-based system. Following the Decision of the Statement Council to Repeal Certain Administrative Regulations and Documents and the effectiveness of the Trial Measures, we are no longer required to obtain a notice of acceptance of the listing application issued by the CSRC when submitting the listing application to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange does not need to obtain approval from the CSRC before arranging the listing hearing. As the Essential Clauses in Articles of Association of Companies Listed Overseas (《到境外上市公司章程必備條款》) is abolished by the Trial Measures, the PRC domestic companies that seek to directly offer and list securities in overseas markets shall only abide by applicable laws, including the PRC Company Law, the Accounting Law of the People's Republic of China (《中華人民共和國會計法》), Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) and the relevant laws and regulations to formulate articles of association, improve internal control system, enhance corporate governance, and promote compliance in corporate finance and accounting practices.

According to the Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Trial Measures provide that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance 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》) (the "**Provision on Confidentiality**"), which became effective from March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

REGULATIONS ON FOREIGN EXCHANGE

Foreign exchange in the PRC is mainly regulated by the Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008. Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of the PRC, unless prior approval is obtained from the SAFE and/or prior registration with the SAFE is made.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in 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》) announced by the SAFE on December 26, 2014, the SAFE and its branch offices and administrative offices shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conduct involved in overseas listing. Domestic company shall, within 15 working days upon the end of its public offering overseas, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》, the "**SAFE Circular 13**"), which took effect on June 1, 2015 and was amended on December 30, 2019. In accordance with the SAFE Circular 13, the banks will review and carry out foreign exchange registration under domestic direct investment as well as foreign exchange registration under overseas direct investment directly, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

On March 30, 2015, SAFE issued the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement 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**"), which took effect on June 1,2015. SAFE further issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《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**") and the Notice on Annulling five Foreign Exchange Management Normative Documents and clauses of seven Foreign Exchange Management Normative Documents (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》), which, among other things, amend certain provisions of SAFE Circular 19. According to SAFE Circular 19, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

On January 26, 2017, Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Notice on Further Facilitating Cross-Board Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), which canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《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, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

REGULATIONS ON ENVIRONMENTAL PROTECTION

General Provisions

The major environmental laws applicable to the Group include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and effective on January 1, 2015, the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on September 5, 1987 and last amended on October 26, 2018, the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated by the SCNPC on May 11, 1984, last amended on June 27, 2017 and effective on January 1, 2018, the Law of the PRC on Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》) promulgated by the SCNPC on December 24, 2021 and took effect on June 5, 2022, the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on October 30, 1995, last amended on April 29, 2020 and effective on September 1, 2020. These laws set out various standards and requirements for the prevention and control of air, water, noise and solid waste pollutions in order to protect and improve the environment, safeguard public health and promote economic and social development. Enterprises that fail to comply with these laws may be subject to warnings, fines, suspension of operations and closing-down of business, as determined by the relevant governmental authorities.

Construction Project Environmental Protection

Pursuant to the Administrative Regulations on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and amended on July 16, 2017 with effect from October 1, 2017, the Environment Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and last amended on December 29, 2018 with effect from the same day, the Rules on the Examination and Approval of Environmental Impact Assessment Documents for Construction Projects by Authorities at Various Levels (《建設項目環境影響評價文件分級審批規定》) promulgated by the Ministry of Environmental Protection (the "**MEP**", currently known as the Ministry of Ecology and Environment of the PRC, "**MEE**") on January 16, 2009 and became effective on March 1, 2009, and the Interim Measures on Environmental Protection Acceptance of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the MEP on November 20, 2017 and became effective on the same day, the PRC government implements an environmental impact assessment system for construction projects. Based on the extent of effects exerted on the environment by a construction project, the construction entity is required to prepare an environmental impact report, or an environmental impact report form, or an environmental impact registration form regarding the environmental impacts of the construction project. The report and the report form will be approved by the competent environmental protection administrative department prior to the commencement of construction, while the registration form is regulated by way of record-filing. Where a construction project needs supporting environmental protection facilities, these facilities should be designed, constructed and put into use at the same time with the main project. Furthermore, the construction entity should, upon completion of a construction project for which an environmental impact report or an environmental impact report form is formulated, conduct acceptance inspection of the constructed supporting environmental protection facilities pursuant to the standards and procedures prescribed by the environmental protection administrative department of the State Council, and formulate the acceptance inspection report.

Pollutant Discharge Licensing

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》) promulgated by the MEE on April 1, 2024 and became effective on July 1, 2024 and Regulations on the Administration of Pollutant Discharge Licensing (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and became effective on March 1, 2021, the MEE shall formulate and release a category-based administration catalog of pollutant discharge licensing for stationary pollution sources, specifying the scope subject to the administration of pollutant discharge licensing and the time limit to apply for a pollutant discharge permit. Enterprises, public institutions and other producers and business operators that are included in the category-based administration catalogue are required to apply for and obtain a pollutant discharge permit within the prescribed time limit. According to the Guidelines for Registration of Stationary Pollution Sources (for Trial Implementation) (《固定污染源排污登記工作指南(試行)》) promulgated by the General Office of the MEE and implemented on January 6, 2020, where the amount of pollutants produced, discharged and the impact on the environment is slight, such enterprises do not need to apply for the pollutant discharge permit, but are required to register for the discharge of pollution of stationary sources.

REGULATIONS ON FIRE PROTECTION AND PREVENTION IN THE PRC

According to the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) (the"**Fire Prevention Law**") promulgated by the SCNPC on April 29, l998 and latest amended on April 29, 2021, and the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020 and latest amended on August 21, 2023, special construction projects that fail to undergo or pass the fire protection acceptance check are prohibited from being put into use. Construction projects other than special construction projects shall go through the fire safety acceptance filing, and the competent housing and urban-rural development authorities shall conduct random inspections on the fire safety acceptance of other construction projects filed. If the construction projects fail to pass the random inspection on fire safety acceptance, such projects shall be suspended from use. Any special construction projects put into use without passing the fire protection acceptance check, or failure to suspend the use of any construction projects other than special construction projects which fail to pass the random inspection on fire safety acceptance, shall be ordered to discontinue the construction, use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000. Any constructing entity fails to go through the fire safety acceptance filing for any construction projects other than special construction projects shall be ordered to make corrections and imposed a fine of not more than RMB5,000 by the competent housing and urban-rural development authorities.

Pursuant to the Fire Prevention Law, the constructing entity or the entity occupying the facility shall apply to the fire prevention and rescue department of the local people's government at or above the county level for a fire safety inspection before a public gathering place is put into use or opens for business. Any public gathering place put into use or operated without passing the fire safety inspection or without satisfying the fire safety requirements, shall be ordered to discontinue the construction, use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000.

REGULATIONS ON LABOR PROTECTION IN THE PRC

Labor Law and Labor Contract Law

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), effective on January 1, 2008 and last amended on December 28, 2012 with effect from July 1, 2013) and the Regulations on Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), effective on September 18, 2008 provide for the establishment of labor relationship between employing entities and employees, as well as the concluding, performance, dissolution and revision of the labor contracts. To establish a labor relationship, a written labor contract shall be signed. Employers are also required to pay wages no lower than the local minimum wage standards to their employees.

Social Insurance and Housing Provident Funds

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and amended on December 29, 2018, governs the PRC social insurance system. It requires employers and/or employees (as the case may be) to register social insurance with competent authorities and contribute required amount of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. Employers who failed to complete social security registration shall be ordered by the social security administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the employer shall be subject to a fine ranging from one to three times the amount of the social security premiums payable, and the person(s)-in-charge who is/are directly accountable and other directly accountable personnel shall be subject to a fin e ranging from RMB500 to RMB3,000. Employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

Under the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, an employer shall make contribution registration with the housing provident fund management and complete the formalities of opening housing provident fund accounts for its employees. Where an employer fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Where an employer is overdue in the payment of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the payment within a prescribed time limit; where the payment has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

REGULATIONS ON INTELLECTUAL PROPERTY

Patent

The SCNPC enacted the Patent Law of the PRC (《中華人民共和國專利法》) in March 12, 1984 and last amended on October 17, 2020. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal, plant breeds or nuclear transformation method and substances obtained by means of nuclear transformation and a design which has major marking effect on the patterns or colors of graphic print products or a combination of both patterns and colors. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a fifteen-year term for a design and a ten-year term for a utility model, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was enacted on August 23, 1982 and last amended on April 23, 2019, as well as the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014. The Trademark Office handles trademark registrations and grants a term of ten years to registered trademarks and each renewal of registration shall be ten years. Trademark license agreements must be filed with the Trademark Office for record. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Copyright and Software Registration

The SCNPC promulgated the Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**") in 1990 and amended it in 2001, 2010 and 2020, respectively. The Copyright Law of the PRC provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, including computer software. The purpose of the Copyright Law is to encourage the creation and dissemination of works which contribute to the construction of socialist spiritual and material civilization and promote the development and prosperity of socialist cultural and scientific pursuit.

The Regulation on Computers Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on June 4, 1991 and amended in 2001, 2011 and 2013, respectively, was formulated for the purposes of protecting the rights and interests of copyright owners of computer software, regulating the relationship of interests generated in the development, dissemination and use of computer software, encouraging the development and application of computer software, and promoting the development of software industry and the informatization of national economy. According to the Regulation on Computer Software Protection, Chinese citizens, legal entities or other organizations are entitled to the copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002 and took effect on the same day, regulates registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "**CPCC**") is designated as the software registration authority. The CPCC shall grant registration certificates to the computer software copyright applicants which conforms to the provisions of both the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Domain Names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and became effective on November 1, 2017, domain names are registered on a "first-come, first-served" basis. The domain names registered or used by an organization or individual shall not contain any contents prohibited by laws and administrative regulations. A domain name registration applicant shall provide the domain name registration service agency with truthful, accurate and complete identity information on the domain name holder.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法》), which was promulgated by the NPC on March 16, 2007, implemented on January 1, 2008, and subsequently revised on February 24, 2017 and December 29, 2018 respectively, and the Implementation Rules for 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》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and amended on April 23, 2019 and December 6, 2024 respectively, a resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%. A non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China must pay enterprise income tax on the incomes derived from China at a rate of 10%.

Value-added Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets and real estate, and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayer of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

According to the Circular of the Ministry of Finance and the State Administration of Taxation of the PRC on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated on April 4, 2018 and became effective on May 1, 2018, where a taxpayer engages in value-added tax taxable sales activities or import of goods, the previous applicable value-added tax rates of 17% and 11% are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and became effective on April 1, 2019, with respect to value-added taxable sales or imported goods of a value-added tax general taxpayer, where the value-added tax rate of 16% applies currently, it shall be adjusted to 13%; the currently applicable value-added tax rate of 10% shall be adjusted to 9%.

Taxation on Dividends

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 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 most recently amended on December 18, 2018 (hereinafter collectively referred to as the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《關於個人所得稅若干政策問題的通知》), which was issued by the MOF and the SAT on May 13, 1994 and came into effect on the same date, the incomes gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempt from individual income tax for the time being.

In accordance with the Enterprise Income Tax Law of the PRC and the Implementation Rules for the Enterprise Income Tax Law of the PRC, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of the SAT on Issues Relating to the Withholding and Remitting of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on

Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《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》) (hereinafter referred to as the "the Arrangement"), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including resident individuals and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC-resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC-resident enterprise, then such tax shall not exceed 5% of the total dividends payable by the PRC-resident enterprise. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Taxation on Share Transfer

According to the Interim Regulations of the PRC on Value-Added Tax and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax, entities and individuals engaged in the services sale in the PRC are subject to value-added tax and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. It also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to value-added tax at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign value-added tax taxpayer. However, individuals who transfer financial products are exempt from value-added tax, which is also provided in the third appendix of the Notice of the MOF and the SAT on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner, namely Provisions on the Transitional Policies for the Pilot Collection of Value-added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》). According to these regulations, if the holder is a non-resident individual, the PRC value-added tax, is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC value-added tax, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC value-added tax. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC value-added tax for the disposal of H shares in practice.

Under the IIT 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 on Continuing the Temporary Exemption of Individual Income Tax on Gains from Share Transfers by Individuals (《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 by the MOF and the SAT and became effective on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. The SAT does not specify whether to continue to exempt individuals from personal income tax on the income from the transfer of shares in listed company.

In accordance with the Enterprise Income Tax Law of PRC, a non-resident enterprise is generally subject to enterprise income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

According to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》) promulgated by the SCNPC on June 10, 2021 and became effective on July 1, 2022, the PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside China. Therefore, the purchase and disposal of H shares by non-PRC investors outside of the PRC does not apply to the relevant provisions of the Stamp Duty Law of the PRC.

MISSION

Bring great products to everyone

VISION

Affordable for everyone, available everywhere

To ensure every team member is filled with kindness and empowered to reach full potential, and experiences both happiness and a sense of achievement

WHO WE ARE

We are the innovator and representative of the "all-category + omni-channel" business model born in China's internet era, dedicated to providing high-quality, cost-effective products to mass-market consumers.

We have grown from a single-category nut brand into the largest domestic snack company in China in terms of retail sales value in 2024 and the fastest-growing snack company among the top five companies in terms of retail sales value CAGR between 2022 and 2024 in the industry, both according to CIC.

Our Core Strategy: Accessible Premium Products

Recently, China's well-developed online retail has thoroughly educated consumers — they are no longer blindly paying for brand premiums and are increasingly demanding high quality, differentiation, and better value for money.

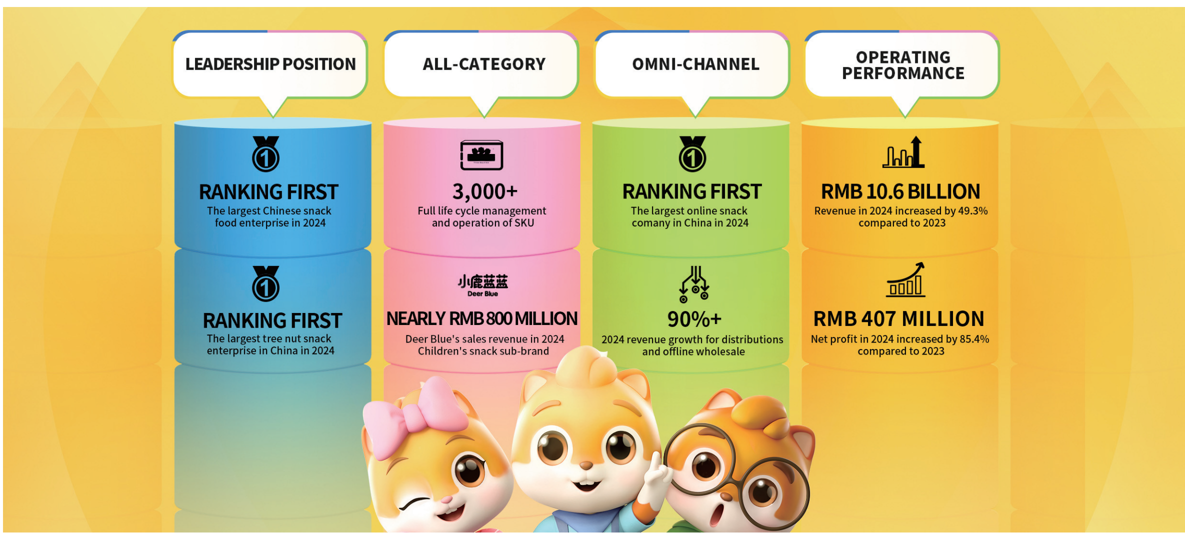
In response to this shift in consumer behavior, we have realized that our business strategy should move from brand premium-based positioning to overall cost leadership. Hence, we introduced our core strategy of "accessible premium products". The approach involves reorganizing and integrating all elements of the business operation across the entire value chain to offer a full range of quality products that fit all channels and ensure efficient delivery to the end user. This ultimately enables us to achieve overall cost leadership along the chain from us to the consumers, optimize the cost structure of our branded products and provide consumers with superior quality, uniqueness, variety and affordable pricing with the quality confidence of a leading brand.

Our Guiding Operating Principle: "All-Category + Omni-Channel"

As consumer shopping habits evolve, new offline retail models such as community retail, bulk-purchase snack stores and membership-based retail are emerging rapidly. These new models not only meet the needs for product variety and individualization but also offer price advantages and convenience. At the same time, consumption mindsets and preferences in lower-tier markets are quickly evolving. These shifts have prompted us to adjust our market strategy from a single e-commerce channel to a comprehensive omni-channel model that integrates both online and offline channels. Leveraging the product competitiveness brought by our "accessible premium products" strategy and our synergistic operations under the "D+N" model (short video + omni-channel), we have achieved rapid growth for our business across all channels and maximized our market coverage.

With this omni-channel approach, we have come to recognize that a single product category can no longer meet the diverse needs of consumers across various regions, channels and age groups. Furthermore, there are abundant unmet consumer needs and market opportunities in the process of product category upgrading. Therefore, we shifted from a traditional "star product" mindset to creating a "multi-product matrix across all categories." We offer a broad range of products — from snacks to children's food and beverages — that suit all channels and precisely meet the specific demands under the "accessible premium products" standard. In doing so, we continuously incubate new brands as categories evolve and differentiate.

Our "all-category + omni-channel" approach fulfills the tremendous unmet consumer demands. Compared to major brands, our products offer better value and variety. Compared to white-label products, we provide superior quality and stronger brand recognition. This has fueled our rapid revenue growth. At the same time, the scale and branding advantages brought by this model have created unique competitive barriers.



Our Business Model: Digitalized Managed Manufacturing-Oriented Branded FMCG Company

To effectively implement our "accessible premium products" strategy and address issues within the traditional supply chain — such as inefficiency and lack of coordination — we have upgraded our original e-commerce model into a manufacturing-oriented branded FMCG company. This model emphasizes end-to-end control from production to sales and leverages digitalized management to optimize the entire value chain, including operations, supply chain, and organizational structure. Through this approach, we have achieved both agile innovation in branded products and overall cost leadership.

Thanks to our internet-native origin, digitalized management is deeply embedded across various aspects of our operations, forming a unique competitive moat. It also provides a solid organizational backbone for our "all-category + omni-channel" expansion, significantly lowering the marginal cost of product category innovation. Among the top five Chinese-owned snack brands in 2024, we are the only company operating as a digitalized managed manufacturing-oriented branded FMCG company.

Our end-to-end innovation achievements form a trio of pillars:

- "D+N" omni-channel operations
- "One Product, One Chain" digital supply chain
- "Integrated Product and Marketing" networked organizational structure

Business Innovation — "D+N" Omni-Channel Synergistic Operation

Traditional enterprises often struggle with integrating online and offline operations, sometimes even creating internal conflicts. Our unique advantage lies in our "D+N" (short video + omni-channel) comprehensive and synergistic channel operating approach. We fully leverage short video platforms for their traffic and content marketing advantages, using online content to enhance brand momentum and empower the entire omni-channel system, encompassing e-commerce platforms, offline distributors and physical stores, to drive sales growth. At the same time, short video platforms serve as effective testing grounds for individual products. Through small-scale, rapid testing of new products, we can gauge market acceptance early on, reduce the product testing cycle, lower costs and improve product launch success rates.

From a digitalized management perspective, our information system allows us to detect and identify high-potential product categories based on real-time data trends. Product category development and channel sales teams promptly receive this data, allowing for quick product adaptation to changing channel demands. Additionally, our digitalized management system has evolved from slow, coarse-grained reporting cycles into real-time, fine-grained performance tracking across the entire value chain, including operations, supply chain and delivery. It enables timely feedback on operational and experience metrics by channel and category, guiding our teams to make faster and more informed decisions.

Supply Chain Innovation — "One Product, One Chain" Digital Supply Chain

To ensure superior quality and overall cost leadership, we implement a "One Product, One Chain" strategy from procurement and manufacturing to delivery. Each product category of suitable scale is supported by its own dedicated supply chain system, with a focus on optimizing the entire process — from raw material sourcing and production to final delivery to the consumers. We continue to source nuts, dried fruits, and some other snack ingredients directly from origin regions to enhance bargaining power through scale, reduce raw material costs and ensure higher quality. Additionally, we have established multi-category integrated supply bases in key regions such as

Eastern China (Wuhu, Anhui), Northern China (Wuqing, Tianjin) and Southwestern China (Chengdu, Sichuan). These localized supply chains enhance our control over in-house manufacturing and help reduce logistics costs.

As part of our digitalized management, we've built a digital supply chain system called Cloud Manufacturing ("雲造"). This system quickly converts sales plans into production plans, enabling coordinated production across multiple regions and factories. It also supports order tracing and aggregation to optimize raw material usage and allocate manufacturing and logistics capacity efficiently. This results in a highly synergistic collaboration within the Squirrel supply chain ecosystem that delivers the freshest products and best user experience to our consumers. In parallel, we've developed an integrated digital supply chain collaboration platform that connects production, supply and sales. Powered by our data middle platform, our digital supply chain collaboration platform provides real-time "One Sale, One Chain" data dashboards for supply chain coordination by channel and product category, enhancing transparency across all operations and significantly improving visibility across each segment of the supply chain.

Organizational Innovation — "Integrated Product and Marketing" Networked Organization

As we navigated through business cycles, we fully leveraged our cognitive advantages stemming from the internet era and developed an organizational structure suited for the digital age. Through ongoing organizational transformation, we have completely moved away from the traditional hierarchical structure, instead creating 400 "small but beautiful" business units. Each of these agile units is normally composed of three to five employees, centered on the consumer and oriented toward market goals. They tightly integrate functions such as channel, R&D, and supply chain, forming a highly flat and networked organization. This structure energizes our employees and strengthens our organizational capabilities, laying a solid foundation for continued large-scale development.

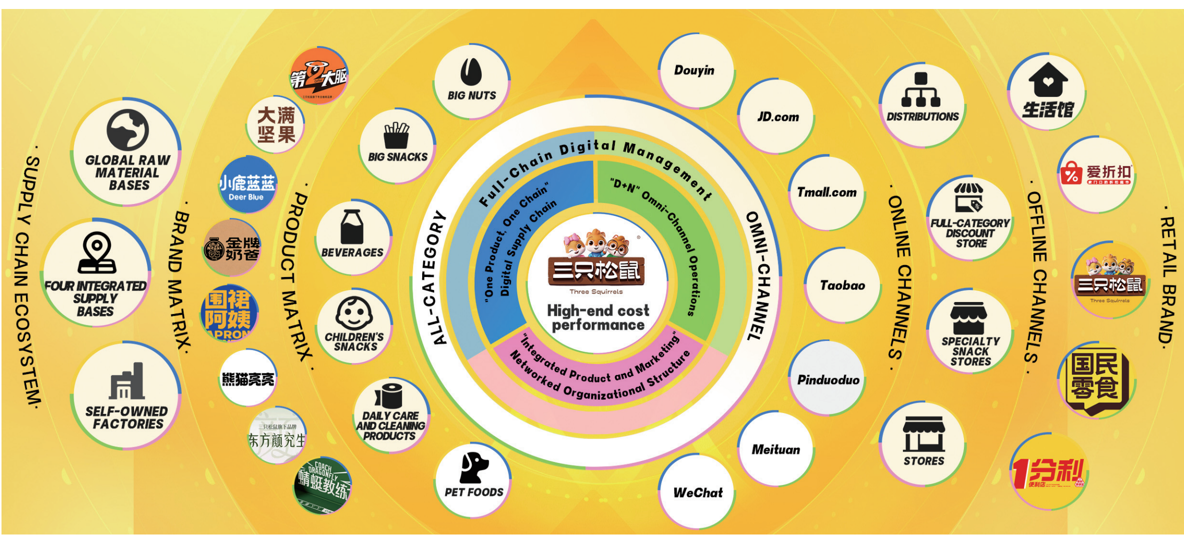
From a digitalized management perspective, we restructured our data middle platform in 2023 and launched an organizational collaboration and business management system called Flying Squirrel ("飛鼠"). This system enables rapid data extraction and modeling from our underlying business systems to deliver timely data services. Building on the data middle platform and Flying Squirrel we developed a proprietary "Integrated Product & Marketing Ecosystem," empowering each "small but beautiful" unit to monitor external market data in real time, make data-driven decisions and validate market feedback, and coordinate operations, products and inventory with agility in response to market shifts. The digital system also helps us better evaluate the value created by each unit and determine whether each team member's efforts are generating measurable impact.

Our Growth Path: A Flywheel Driven by Category Expansion and Channel Development

Under the "All-Category + Omni-Channel" business model, we do not focus on a single product category or a single channel but rather focus on continuous optimization and innovation across the entire value chain. We achieve this by following our "accessible premium products" approach to provide full-category products tailored to all channels, continuously nurture new categories and cultivate specialized new brands that emerge through channel differentiation. In recent years, we have achieved rapid development from nuts and snacks to multiple categories, including baked goods, children's food and nut-based beverages, from online to integrated online and offline omni-channel, and from a single brand to a multi-brand matrix:

- **Continuous product category and brand matrix expansion.** We have successfully entered multiple high-potential segments: (i) in the children's snack category, we launched the Deer Blue (小鹿藍藍) brand, which achieved RMB794.0 million in revenue in 2024 and became profitable as a standalone brand, growing into one of the top three children's snack brands in China; (ii) in the beverage category, we launched co-branded nut milk and walnut milk products, achieving revenue of RMB206.8 million in 2024; (iii) we are incubating several sub-brands such as Golden Dad (金牌奶爸) for pet food, Auntie Apron (圍裙阿姨) for ready-to-cook meals, SuperStar (超大腕) for convenient instant meals, The Second Brain (第二大腦) for coffee, Dragonfly Coach (蜻蜓教練) for healthy light food, Oriental Beauty Researcher (東方顏究生) for Chinese wellness products and QOQOGO (巧克果) for chocolate.

- **Rapid coordinated development across all channels.** Building on our accumulated core competitiveness, we continue to grow in online channels. In 2024, our snack food sales ranked first on major e-commerce platforms such as Taobao, TMall and JD.com, and also topped emerging livestream e-commerce channels such as Douyin. In offline channels, through "D+N" omni-channel synergistic operations and by matching the right high-quality products to offline channels, we achieved rapid growth in offline channels, with revenue growth of 79.1% in 2024. Our offline channel sales growth was the highest among the top 5 snack companies in China in 2024. At the same time, we believe the development of China's hard-discount retail and community-based retail sectors presents significant growth opportunities for us. Leveraging our full-product category supply chain foundation under the "accessible premium products" strategy, we are rapidly deploying full-category community discount stores.



The new product categories, omni-channel expansion and new brands we have successfully developed in recent years fully demonstrate the high scalability and reusability of our core capabilities. Ultimately, our goal is to build a growth flywheel driven by the mutual reinforcement of product category expansion and channel development and to become an all-category, omni-channel, fully integrated ecosystem-based platform. Through continuous innovation, we aim to support sustainable development in the future and fulfill our mission of "bringing great products to everyone."

COMPETITIVE STRENGTHS

A Fast-Growing, "All-Category + Omni-Channel" Manufacturing-Oriented Branded FMCG Company in China

We have a proven leadership position in China's snack industry. More specifically, according to CIC, in terms of retail sales value in 2024 in China, we are:

- the fourth-largest snack company;
- the largest domestic snack company;
- the largest tree nut snack company;
- a top-three company in children's snacks;
- a top-three company in fruit snacks; and
- a top-five company in seasoned flour products.

In addition to our scale, among the top five snack companies in China, we are also the fastest-growing snack company in terms of retail sales CAGR from 2022 to 2024 and the only manufacturing-oriented branded FMCG company implementing a fully digitalized management, both according to CIC.

Starting as a nut snack brand focusing on online sales, we have consolidated our leading position for online sales channels and achieved strong growth for offline sales channels. More specifically, according to CIC in terms of retail sales value in China in 2024, we are:

- the largest online snack company;
- the largest online nuts and seeds snack company;
- the largest online baked snack company;
- the largest online meat-based snack company;
- the second-largest online children's snack company;
- the second-largest online fruit snack company;
- the third-largest online seasoned flour product company; and
- the fastest-growing among the top five snack companies in offline sales.

In 2024, as we further implemented our "accessible premium products" strategy with our mission to "bring great products to everyone," we achieved stellar growth in our revenue from both online and offline channels while continuously incubating new product categories and brands. Our revenue increased by 49.3% from RMB7,114.6 million in 2023 to RMB10,622.1 million in 2024, while our net profit rose by 85.4% from RMB219.8 million in 2023 to RMB407.5 million in 2024.

"All-Category + Omni-Channel" Strategy to Better Seize the Opportunities from Retail Industry Transformation

We are firmly committed to the "all-category + omni-channel" approach to align with industry transformation and build long-term competitive moats. More specifically, the ability to operate synergistically across both online and offline channels while offering full-category products tailored to each channel has become key to brand success in view of the rapid development in new offline retail channels, the rise of lower-tier markets and increasingly rational consumer behavior.

At the core of our omni-channel approach is our proprietary "D+N" model, whereby we use short video platforms as category engines and run small-scale rapid product tests to create popular "content-driven" star products that boost sales across all channels. This unique channel approach enabled us to successfully leverage our consumer insights and overall cost leadership to expand from online channels into offline channels. For example, in 2024, after selling over 1 million packs of our buffalo milk mille-feuille toast in a single day through our short-video platform channel, we identified offline demand through real-time monitoring of sales data, quickly adapted the packaging, sizing and flavors for offline sales. As a result, we were able to generate a sales revenue of approximately RMB112.3 million from offline sales of buffalo milk mille-feuille toast in that same year. We were also certified as the No. 1 mille-feuille toast brand in 2024 by CIC.

The successful implementation of our proprietary "D+N" model led to rapid growth in revenues from both our online and offline sales channels in 2024:

- our revenues related to online platforms grew by 41.1% from RMB5,250.9 million in 2023 to RMB7,406.9 million in 2024;
- our offline sales (including offline sales, distributors and wholesale customers) revenue grew by 79.1% from RMB1,669.8 million in 2023 to RMB3,044.6 million in 2024; and
- with an elite team of approximately 150 members in charge of offline channels, our revenues from offline distributors and wholesale customers grew by 96.9% from RMB1,341.4 million in 2023 to RMB2,640.9 million in 2024.

Our omni-channel approach brought about the revelation that a single product category can no longer meet the diverse needs of consumers across various regions, channels and age groups in view of the generational evolution of consumer preferences and channel fragmentation. Using our digital product selection system and agile, cost-efficient supply chain, we continue to launch channel-specific products with our full-spectrum product offering across snacks, children's foods and health drinks — nurturing star products and incubating new brands through category specialization. For example, our premium children's snack brand Deer Blue (小鹿藍藍) achieved a revenue of RMB794.0 million in 2024, demonstrating steady growth and solid profitability. In terms of retail sales value in 2024, Deer Blue has emerged as the largest Chinese snack brand established since 2020.

"One Product, One Chain" Digital Supply Chain Strategy to Ensure Quality and Overall Cost Leadership

To ensure superior quality and overall cost leadership, we implement a "One Product, One Chain" strategy from procurement and manufacturing to delivery. More specifically, we build an independent, dedicated supply chain system for most categories of suitable scale. This approach focuses on end-to-end optimization from raw materials sourcing and production to final delivery to the consumers, ultimately leading to stronger product-specific quality control and total cost leadership. Our "one product, one chain" digital supply chain strategy encompasses the following elements:

- ***Raw materials sourcing.*** We continue to expand direct global sourcing and centralized supply bases across all categories of raw materials to better control costs and enhance product quality. For example, we are China's largest buyer of macadamia nuts, and our average procurement cost for macadamias is approximately 10% lower than the industry average. Through direct collaboration with macadamia farms located in major producing regions across the globe, we were able to seize the downward market price trend and offer macadamia nuts at RMB19.9 per 10 packs (total 360 g) on Douyin, signifying our "accessible premium products" proposition and ultimately achieving retail sale of more than RMB100 million in just a few months.

- ***Integrated supply bases.*** We have established four integrated supply bases in key regions such as East China (Wuhu, Anhui), North China (Wuqing, Tianjin) and Southwest China (Chengdu, Sichuan). Leveraging our integrated supply bases that integrate nut processing, snack manufacturing and logistics functions as a regional hub, we are able to increase the proportion of products produced in-house and reduce our cost along the value chain. Through the integration of retail and manufacturing, we achieve a new balance among sales channels, supply chains and organizations, ultimately creating a new regional operation model with Squirrel characteristics and bring better products to consumers. For example, in our core nut category, our Wuwei Nut Industrial Park in Anhui spans 890 mu (approximately 146 acres) and integrates R&D, manufacturing, packaging, quality testing and logistics for both nuts and dried fruits. According to CIC, it is a leading shelled nut manufacturing and processing cluster in the world, supporting full in-house production of core nut products, including daily nut packs, macadamias, pecans, almonds and cashews. The daily nut production facility features Class 300,000 cleanrooms, 36 fully automated packaging lines, and two canning machines, with a maximum daily output of approximately 150 million packs — well above the industry average in terms of production efficiency.

In terms of snack products, we have also developed centralized production parks for snacks, inviting core suppliers to co-invest and build joint ventures in our industrial bases. This enables unified management of R&D, production, quality control, and logistics across product categories. For example, our Wuhu Snack Industrial Park is planned with eight major factories covering categories such as meat snacks, baked goods, and puffed snacks. Phase 1 of our Wuhu Snack Industrial Park includes three completed factories for meat products, tear-apart bread, and salted egg yolk pastries, spanning approximately 110 mu (approximately 18 acres). These facilities are designed to support five major categories and seven production lines, — significantly increasing our in-house production ratio for snack products. The tear-apart bread line alone are designed to produce 1.6 tons per hour, with a single-line daily capacity exceeding 40 tons, making it the largest in China by production capacity.

- ***The Cloud Manufacturing ("雲造") digital supply system.*** Our Cloud Manufacturing system can quickly convert sales forecasts into production plans, enabling coordinated production across multiple regions and factories. Through centralized order tracing and aggregation, our Cloud Manufacturing system optimizes raw material usage and efficiently allocates factory and logistics resources. This ensures high-efficiency supply chain network operations, delivering the freshest, best-in-class products to consumers. For example, our Cloud Manufacturing system make next-day delivery possible for all orders received before 5pm on the prior day on our Douyin Squirrel Select Stores ("抖音松鼠甄選零售店"). The fulfillment cycle of our Cloud Manufacturing system can be as short as 24 hours, and the fulfillment rate exceeds 94%.

- ***Digital supply chain collaboration platform.*** Our end-to-end digital supply chain collaboration platform integrates production, supply and sales. Powered by our data middle platform, our digital supply chain collaboration platform provides real-time "One Sale, One Chain" data dashboards for supply chain coordination by channel and product category, enhancing transparency across all operations and significantly improving visibility across each segment of the supply chain.

"Integration of Product and Marketing" Networked Organization and Digitalized Management to Enable Agile Innovation

We are the only company operating as a digitalized managed manufacturing-oriented branded FMCG retail company among the top five snack companies in China in 2024, according to CIC. Starting as a nut snack brand focusing on online sales in 2012, various characteristics of the internet are deeply ingrained in our organization. We have accumulated extensive data across all business operations and placed great emphasis on building digital systems and adopting a digitalized management system since our inception. Continuous investment in digital infrastructure and a digitalized management philosophy ingrained in us have laid a strong organizational foundation for innovation across our business, supply chain and organizational structure. These efforts also position us well to empower our teams using AI productivity tools.

We fully utilize digital management tools across business, supply chain and organizational functions. Through self-developed digital systems — including our Cloud Manufacturing supply chain system, the Flying Squirrel ("飛鼠") organizational collaboration platform and the Shuxiaobao ("鼠銷寶") offline distribution system — we enable our business and management teams to monitor data in real time. These tools facilitate company-wide information sharing, goal co-creation and collaborative tracking, and help us assess the value created by each operational unit more effectively. For example, our "small but beautiful" business unit members can access performance indicators such as sales and net profit of its business unit on a real time basis, as well as consumer satisfaction and complaints. All these real-time and comprehensive data assist our staff to make timely and flexible business decisions.

As we navigated through business cycles, we fully leveraged our cognitive advantages stemming from the internet era and developed an organizational structure suited for the digital era. Through ongoing organizational transformation, we have completely moved away from the traditional hierarchical structure, instead creating 400 "small but beautiful" business units. Each of these agile units tightly integrates functions such as channel, R&D, and supply chain, with clear profit and loss accountability down to daily product arrivals at each store. Our employee is trained to understand cost and performance management. By building a flat, networked organization, we empower young employees to rapidly grow into managerial roles, internally referred to as "Mini-CEOs." This strong talent pipeline continuously enables us to break boundaries across categories and channels.

Our agile organization is capable of rapidly identifying market demands, testing products and making quick decisions, thereby giving us a responsive edge. The shortest time from product development to market launch is approximately 30 days on average, more than one month faster than our industry average, according to CIC. With real-time data updates across days, channels and categories, our business teams can make fast, data-driven decisions, while our resources can be allocated more efficiently and effectively. For example, in 2023, we spotted a rising demand for spicy marinated snack packs in multiple consumption scenarios. Accordingly, products like our best-selling *Sachima, Buffalo Milk Mille-Feuille Toast*, and others were launched within 30 days after we identified market opportunities — each achieving revenue of over RMB60 million and over RMB100 million respectively within six months to one year.

Visionary Leadership Team That Continuously Empowering Business Partners

Our founder, Mr. Zhang Liaoyuan, has been deeply involved in China's FMCG industry for nearly 30 years. As a forward-thinking business leader, he has consistently seized opportunities arising from industry and technological transformations. In 2012, Mr. Zhang keenly identified the window of opportunity brought by the rise of internet-driven consumption and founded Three Squirrels, pioneering the branding of the nut snacks in China. Within just seven years, he built Three Squirrels into a national brand with annual sales exceeding RMB10 billion. As online and offline channels in China began to converge, Mr. Zhang successfully led the company's transition from an online brand to a manufacturing-oriented branded FMCG company with all-category and omni-channel capabilities.

Our core management team members have all worked in the snack industry for many years, accumulating rich practical experience in local innovation. Together, they form a complementary and highly capable leadership team. We adhere to the core organizational philosophy of "a group of people, working together, on one thing." The management team leverages their extensive experience to empower our "small but beautiful" business units, enabling internal incubation of more Mini CEOs and fostering a robust pipeline of talent.

Our management team not only drives internal growth but also empowers external partners through strategic investments and management expertise. We actively bring external business partners into our business network by sharing our accumulated management philosophy, industry experience and unique insights. Through "knowledge-based acquisitions," we help create value for the companies we invest in. For example, in 2024, we began the acquisition and integration of Aizhekou (Love Discounts). In addition to providing brand and financial support as a listed company, we also focused on rapidly aligning both companies in terms of management philosophy and organizational structure. As a result, we helped Aizhekou establish a solid foundation for rapid expansion within a short timeframe.

DEVELOPMENT STRATEGIES

Further Strengthen Offline Distribution Network to Reach More Consumers

We aim to further our "all-category + omni-channel" strategy by strengthening our offline distribution network. In particular, we plan to implement the following initiatives:

- **Rolling out products suitable for offline channels.** We plan to take advantage of our full-spectrum product offering to upgrade the ingredients and formula and develop different packaging types to match suitable products with different types of retail outlets and offline channels.

- **Expand retail outlet coverage for markets.** We plan to leverage our end-to-end cost optimization capability to incentivize distributors to join our network. and expand our retail outlet coverage.

- **Focus on the hard-discount retail sector.** Eyeing the significant opportunities presented by the hard-discount retail sector, we plan to accelerate our expansion through models like Aizhekou (Love Discounts) and other community discount supermarkets.

Continuously Incubate New Product Categories and Specialized New Brands through Core Capability Replication

As part of our "all-category + omni-channel" strategy, we aim to continuously launch new products that align with our "accessible premium products" proposition leveraging our market insights and agile innovation. In particular, we plan to implement the following initiatives:

- **Expand product categories.** Driven by channel demands, we plan to expand from current categories such as snacks, children's food, beverages and baked goods to a full range of products in the broad consumer market, with a focus on high-growth potential or high-margin sectors.

- **Develop specialized brands.** As we expand our product categories, we plan to continue to develop new specialized brands in tandem with our product category expansion. In particular, we plan to focus on the incubation of Golden Dad (金牌奶爸) for pet food, Auntie Apron (圍裙阿姨) for ready-to-cook meals, SuperStar (超大腕) for convenient instant meals, The Second Brain (第二大腦) for coffee, Dragonfly Coach (蜻蜓教練) for healthy light food, Oriental Beauty Researcher (東方顏究生) for Chinese wellness products and QOQOGO (巧克果) for chocolate.

Further Invest in Supply Chain and Digital Infrastructure

To support our growth, we aim to strengthen our supply-chain capability and digital infrastructure. In particular, we plan to implement the following initiatives:

- ***Invest in integrated supply bases.*** We plan to invest in additional factories in our regional integrated supply bases in Eastern China, Northern China and Southwestern China, as well as an additional integrated supply base in Southern China, to cover additional key regions to further our quality control and overall cost leadership.

- ***Invest in digital infrastructure and expand the use of AI tools.*** We plan to strengthen our digitalization, expand our digitalized management to more business use cases and build a broad industry ecosystem network. We also plan expand the use of AI tools for self-empowerment by establishing an all-category, omni-channel and entire-chain map and a full domain data network that connects our people and products.

Engage in Horizontal and Vertical Strategic Investments or Acquisitions

To execute our growth strategy, we aim to pursue further strategic cooperation with a wide range of partners in the snack and FMCG industry value chain, including upstream ingredient producers, regional food processing factories and downstream retail chains. We may consider various forms of cooperation, including equity investments or acquisitions. We will identify suitable acquisitions and business opportunities based on factors such as brand recognition, development potential, complementary effect with our existing products, distribution coverage, management and price. As of the Latest Practicable Date, we had not identified any targets for any significant investments or acquisitions in the near future.

OUR EVOLUTION

We established our "Three Squirrels" brand 13 years ago, and since then, we have evolved from a snacks brand focused primarily on sales of nuts snacks through e-commerce platforms to an ecosystem company offering accessible premium products.

Our ecosystem is founded on several pillars, namely our brands, product portfolio, sales channels, supply chain capabilities and production. These pillars are weaved together and supported by our overarching capabilities in digitalization and management, which significantly enhance our ability to adapt and execute our plans and strategies and continuously re-assess and optimize various aspects of our ecosystem.

Our Brands

We currently have two main brands as shown in the table below.

Brand	Logo	Focus area
Three Squirrels (三隻松鼠)		Snacks, primarily nuts
Deer Blue (小鹿藍藍)		Premium healthy snacks for children

Three Squirrels is our primary and most established brand. The Three Squirrels brand has become a household brand name and one of our most valuable intellectual properties. We have developed various IP related content featuring our Three Squirrels brand, such as TV shows, theme songs, short videos and brand merchandise. In 2023, the Three Squirrels brand was included in the "TopBrand 2023 China's Top 500 Brands" list and ranked first in the "Top 10 Most Popular New Year Nut Gift Box Brands in China".

Deer Blue is the most notable example of the growth and development of our ecosystem. We launched the Deer Blue brand in 2020 to focus on premium healthy snacks for children. Leveraging our experience gained from developing and operating our Three Squirrels brand, we achieved instant success with our Deer Blue brand The popularity of the brand and our ability to apply our core competence for new brands and channels enable to quickly roll out new brands. For example, we started to sell our Deer Blue branded products at Walmart in November 2023 and we experienced significant growth since then. In the first quarter of 2025, Deer Blue is the No. 1 babies and children snack brand at Walmart in terms of both retail sales volume and value.

Benefiting from our brand experience and success from Three Squirrels and Deer Blue, we have been and are currently in the process of developing multiple brands to expand our ecosystem and diversify our brand portfolio. Each of these brands that we are currently developing has a distinct and specific focus. For example, Auntie Apron (圍裙阿姨) focuses on ready-to-cook meal items, and Super Dad (金牌奶爸) focuses on pets' food items.

Product Portfolio

We have formulated a strategy of "all-category + omni-channel" with an aim to offer a diverse and comprehensive product portfolio through our various sales channels. As of December 31, 2024, we offered over 1,000 SPUs. Furthermore, we are continuously developing and launching new SPUs to cater to the latest consumer preferences. We launched over 600 new SPUs in 2024. Our comprehensive and diverse product offering allows us to be present in the various aspects of consumers' daily life, maximizing our coverage within the consumer goods industry. In addition, with our expansive products, we can quickly adjust our marketing and promotion strategies to capitalize on the latest market trends.

Furthermore, we develop products that are specifically tailored to a particular sales channel. We believe that this minimizes the competition among our different sales channels and maximizes the appeal of our products in each particular sales channel. For example, products sold in our live-streaming channel usually come in smaller sizes individually and are commonly offered as sampler packs containing various small-sized products since consumers are usually likely to try out new products through the live-streaming channel. Once a product becomes popular through the live-streaming channel, we will adjust its packaging, size and other specifications to tailor the product for other sales channels.

Sales Channels

Our multi-faceted and diverse sales channels are instrumental in our ecosystem. We have been continuously evaluating and optimizing our sales channels to ensure that we have the optimal mix of sales channels so that our brands and products can reach consumers from all over the country in the most efficient manner. For example, we were originally focused on e-commerce platforms in the first few years of the Three Squirrels brand. Over the years, we have significantly expanded our sales channel coverage and made tremendous progress in short video platform and offline channels. Sales through our short video platform channel grew significantly over the Track Record Period and amounted to RMB716.5 million, RMB1,407.3 million and RMB2,634.7 million in 2022, 2023 and 2024, accounting for 9.8%, 19.8% and 24.8% of our total revenue in the respective periods and representing a 96.4% and 87.2% year-on-year increase in 2023 and 2024. Our success in the short video platform channel exemplifies our ability to quickly penetrate into new sales channels and capitalize on emerging market opportunities.

Supply Chain

Guided by our strategy of providing accessible premium products to consumers, we have re-structured our supply chain to adopt the innovative model of "one product, one chain" where we build tailored supply chains for each of our main products. The "one product, one chain" model allows us to achieve optimal operational efficiencies and cost savings, making it possible for us to bring high-quality products to consumers at attractive prices.

We collaborate closely with our suppliers, including our OEM partners, to implement our supply chain strategies. For example, we have attracted a number of our suppliers and OEM partners to set up facilities and operations at our production centers in Wuhu so that we can engage in the research and development of new products and technologies together in the most efficient manner. This also allows us to minimize the various costs in the production process, such as logistics and labor costs, to further decrease our production costs.

More specifically, we are able to launch a product in as little as 25 days, enabling us to rapidly respond to market changes.

- **Identification of market opportunities:** We analyse market insights and data gained from the internet and our upstream suppliers to identify products with high growth potentials. We then evaluate our suppliers to select the most suitable suppliers for these products based on their production capacities, past performance and cost advantages. This process usually takes less than one week.

- **Integrated product R&D and sales:** We further refine the specifications of our products and determine the key elements such as product price, sales model and channels, desired profit margin and delivery process by comparing our products against competing products on the market to analyse their differentiating factors and unique appeal to consumers. We then work with our suppliers to ensure that products meeting our specifications can be manufactured and delivered on time. Thanks to the close cooperation among our various teams both internally and with our suppliers as well as our in-depth knowledge of the market, this process usually takes only one to three days.

- **Coordination and implementation along the full supply chain:** We communicate details of our product design, specifications and quality requirements with our suppliers and work with our suppliers to plan the production process in advance, including identifying and preparing for potential issues and bottlenecks such as technical challenges in production or potential raw material supply issues. We also streamline our approval procedures to improve efficiency and to ensure that products can be launched quickly. As a result, the entire process from planning, product design, production to delivery takes as little as 25 days.

Production

We currently produce the majority of our nuts products in our own factories and our other snacks products through our OEM partners. This allows us to bring products to market in a short period of time and rapidly adapt to market changes. Meanwhile, in-house production strengthens our ability to effectively manage production costs and closely control our product quality, which in turn is fundamental in our "accessible premium products" strategy and proposition.

Digitalization and Management Capabilities

Digitalization efforts across various aspects of our business operations and our unique corporate management philosophies and capabilities enable us to be nimble in our operations and be able to adapt and execute our business strategies efficiently.

We have a flat internal organizational structure where, instead of multiple layers of reporting and management, our business is operated through more than 400 small business units where each unit is responsible for a particular and specific business function or product category and can make decisions regarding matters relating to its own function. This way, our business strategies can be quickly implemented across our entire organization, and our employees are highly motivated and mobilized.

The details of our business units are explained below, with a product development business unit as an example. We have numerous business units for our diverse product portfolio, with each business unit responsible for a specific product type. Similarly, we also have business units for our other functions such as sales channels, production, customer service, logistics, supply chain management and others.

- **Reasons for having business units:** We believe that, by grouping all related positions and functions together into business units, we can achieve better and faster internal coordination and thus gain first mover advantages in the market.

- **Composition of a business unit:** For example, our product development business unit typically consists of a mini-CEO, a product partner, a quality partner, a supply chain partner and a design partner. These partners are all closely involved in the product development process. The mini-CEO is the highest decision-maker within the business unit, responsible for the overall performance of a specific product category and holds the final decision-making power of the business unit. Other partners are responsible for their respective tasks based on their job types.

- **Collaboration mechanism:** The goal of the product development business units is to create competitive products that reflect the latest consumer preferences and industry trends. Within the business unit, the product partner selects the supply chain, sets the product formula and standards and ensures that the pricing of the product meets our desired profit margins. The quality partner conducts pre-development quality risk assessments and establishes a quality assurance system covering multiple aspects of our supply chain. The design partner is responsible for the final product packaging according to market display requirements and consumer preferences. These partners work together closely within the business unit under the guidance and direction of the mini-CEO, and each partner has his/her own specific and well-defined responsibilities. This flat structure allows the efficient cooperation within the business unit and the fast implementation of decisions by the business unit.

In addition, we have implemented various systems and applications to digitalize our operations, making sure that our decisions and operations are all based on insights gained from real-time data. For example, our Cloud Manufacturing ("雲造") system is a centralized platform that manages our sales channels, supply chain and production. Our data-centric approach based on the vast amount of data collected through our operations and our ability to implement strategies swiftly enable us to quickly identify and capture emerging market trends and latest consumer preferences and accordingly bring to market products that meet these preferences in a short period of time, further solidifying our market-leading position.

OUR BRANDS AND PRODUCTS

Overview

The table below sets forth the breakdown of our revenue by brand for the periods indicated.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in millions, except for percentages)					
Three Squirrels (三隻松鼠)	6,800.16	93.24	6,524.58	91.71	9,825.05	92.49
Deer Blue (小鹿藍藍)	491.00	6.73	588.00	8.27	794.00	7.48
Others (其他)	2.00	0.03	2.00	0.02	3.00	0.03
Total	**7,293.16**	**100**	**7,114.58**	**100**	**10,622.05**	**100**

Three Squirrels

Founded in 2012, the Three Squirrels brand quickly became a household name in China since its launch thanks to our innovation in sales model, engaging IP, and diversified product categories. "Three Squirrels" is now the leading domestic brand in China for nuts and other snacks in terms of retail sales value in 2024, according to CIC. In 2023, the Three Squirrels brand was included in the "TopBrand 2023 China's Top 500 Brands" list and ranked first in the "Top 10 Most Popular New Year Nut Gift Box Brands in China".

The Three Squirrels brand's playful and vibrant identity is represented by its mascot, a trio of animated squirrels. This character embodies fun, adventure, and a love for snacks, resonating with consumers of all ages.

We offer a diverse range of snack products under the Three Squirrels brand, mainly under the following categories:

Nuts

We offer a wide selection of nuts, including tree nuts and seeds such as macadamias, almonds, cashews and pecans, available in various flavours such as honey, wasabi and coconut flake. We also offer daily nuts that contain a variety of nuts for a balanced nutrition offering and to cater to different taste preferences.

Baked goods

Our baked goods products include a variety of Chinese pastries, Western pastries and bread products, such as pull apart bread, sachima, egg yolk cake, steamed cake and waffle bread.

Meat products

Our meat products primarily include beef, sea, pork and chicken-by products such as Sichuan-flavor spicy beef, ready-to-eat chicken breasts, pork jerkies and cod sausages.

Dried fruits

Our dried fruits products mainly include various dried fruits such as mango, yellow peaches, strawberries, hawthorns and other products that feature fruits such as canned fruits, raisin of various flavours and fruit peels.

Snack mixes

Our snack mixes include a wide range of products such as chocolate bars, puffed snacks and biscuits.

Set forth below are photos and information of some of our Three Squirrels products.

SPU	Category	Specification	Retail Price of Representative Product (RMB)
Daily nuts	Nuts	20g–5,000g	69–94 (750g)
Macadamia nuts	Nuts	25g–3,600g	24.9–30.8 (500g)
Sunflower seeds	Nuts	30g–1,000g	9.9–19.9 (250g)
Torn bread	Baked goods	82g–3,000g	21.9 (1,000g)
Sachima	Baked goods	65g–3,000g	12.9–15.5 (500g)
Sichuan-style spicy beef	Meat products	60g–500g	6.9–9.9 (60g)
Quail eggs	Snack mixes	28g–2,500g	19.9 (420g)
Dried mango	Dried fruits	55g–500g	8.9–10.9 (116g)
Dried plum	Dried fruits	40g–508g	18.9–19.9 (508g)
Daily nut milk	Snack mixes	205ml–300ml	20.9–24.9 (205ml*8)

Deer Blue

The brand Deer Blue was born in 2020 against the backdrop of heightened consumer focus and consciousness on health. Deer Blue was created with the goal to make sure all babies and children in China can have healthy and nutritious food and snacks.

In August 2021, a cartoon series developed under the brand Deer Blue, which features a blue baby deer as its main character, started airing on TV and video streaming platforms. The cartoon series further increased our brand appeal to children and made the Deer Blue brand more personal, entertaining and engaging.

Products under the Deer Blue brand are developed for babies and children from six months old to 14 years and span across various categories such as snacks baby solid foods, seasonings, staple foods, and nutritional products.

Set forth below are photos and information of some of our Deer Blue products.

SPU	Category	Specification	Retail Price of Representative Product (RMB)
Cod sausage	Snack mixes	60g–240g	39.9–69 (216g)
Hawthorn stick	Snack mixes	44g–1,908g	24.9–29.9 (300g)
Baby fragrant rice cake	Baked goods	21g–500g	28.9–42.9 (120g)
Baby standard flour	Snack mixes	25g–1,920g	24.9 (500g)
Mixed fruit puree for infants	Snack mixes	80g–1,620g	26.9–39.9 (648g)
Rice stick cookies	Baked goods	72g–130g	19.9–26.9 (130g)
Baby and toddler cream puff sticks	Baking	21g–120g	19.9–25.9 (120g)

Our Products

We have been actively anticipating and responding to changes in market demand and consumer preferences by continuously launching new products under our various brands. As of December 31, 2024, we offered over 1,000 SPUs, and we launched over 600 new SPUs in 2024, including over 80 SPUs for our nuts products, over 500 SPUs for our other snacks products and over 50 SPUs under the Deer Blue brand.

The table below sets forth our revenue breakdown by product category for the periods indicated.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Nuts	4,107,308	56.3%	3,812,385	53.6%	5,366,197	50.5%
Baked goods	1,134,470	15.6%	1,085,802	15.3%	1,501,191	14.1%
Snack mixes	872,663	12.0%	1,090,114	15.3%	2,017,415	19.0%
Meat products	696,340	9.5%	599,793	8.4%	960,785	9.1%
Dried fruits	338,086	4.6%	349,867	4.9%	582,486	5.5%
Others(1)	144,391	2.0%	176,615	2.5%	193,979	1.8%
Total	**7,293,158**	**100%**	**7,114,576**	**100%**	**10,622,053**	**100%**

Note:

(1) Others primarily include sales of raw materials for nuts snacks and licensing fees.

The table below sets forth a breakdown of our sales volume and average selling price by product category for the periods indicated.

	2022		2023		2024	
	Sales volume	Average selling price2	Sales volume	Average selling price	Sales volume	Average selling price
	(tons)	(RMB)	(tons)	(RMB)	(tons)	(RMB)
Nuts	82,592	49,730	79,027	48,241	122,681	43,741
Baked goods	37,115	30,564	40,735	26,655	67,224	22,331
Snack mixes	29,119	29,969	34,371	31,716	69,771	28,915
Meat products	9,797	71,074	9,582	62,594	17,890	53,705
Dried fruits	7,432	45,490	9,519	36,755	18,330	31,779
Others(1)	N/A	N/A	N/A	N/A	N/A	N/A
Total/Overall(2)	**166,055**	**43,920**	**173,234**	**41,069**	**295,896**	**35,898**

Notes:

(1) Others include sales of raw materials for nuts snacks and due to the mix of various raw materials sold, sales volume by unit cannot be readily calculated, along with the average selling price.

(2) The overall average selling price is calculated by dividing the total revenue for each year by the total sales volume as stated in the table above, excluding others.

MARKETING AND PROMOTION

Marketing

The marketing and promotion of our brands and products are guided by our "accessible premium products" proposition. We have customized marketing and promotion strategies and activities for each of our brands, which are tailored according to each brand's positioning and product offerings.

For example, for our most established brand, Three Squirrels, we employ a multi-faceted marketing approach, leveraging social media, our presence on e-commerce platforms and live-streaming to connect with consumers. We have produced a series of TV shows, short videos, theme songs and interactive campaigns featuring our IP, Three Squirrels, to deepen our brand image and connection with our consumers. We also offer merchandise featuring the three squirrels to further enhance the popularity of our IP. These marketing efforts help us to promote our brand while creating a strong emotional connection with our existing and potential customers.

We have successfully developed our Three Squirrels brand into a household IP brand that is highly popular and widely recognized in China. The Three Squirrels brand has won multiple awards and recognitions, including the 2023 China Philanthropist Magazine's "Annual Responsible Brand" award, the 2023 Weibo ESG and Sustainable Development Forum's "Top 100 Brand Value Influence List", the 2023 New Consumption Conference of Chinese Trendy Food's "Top 100 New Forces in Chinese Trendy Food" and 2024 Sina News' "Annual New Force in Public Welfare Enterprise."

We work with KOLs, live-streamers, and celebrities to promote our brands and products. Some of these KOLs, live-streamers and celebrities, who have large numbers of social media followings, also sell our products through short video platform channels. We generally select celebrities and KOLs based on their popularity on social media and short video platforms, their target audience, and their compatibility with our brand positions.

As a result of our marketing and promotion efforts, as of December 31, 2024, we had more than 80 million followers on JD.com and more than 40 million followers on Tmall.com.

Seasonality

Our sales follow seasonal shopping patterns with increased sales being recorded before Chinese New Year. We typically increase our inventory and marketing efforts in the run up to Chinese New Year. We also incur additional expenses in advance of peak periods in anticipation of higher revenue, including in relation to additional advertising or promotional campaigns, and additional inventory and staff costs. See "Risk Factors — Our sales may be influenced by seasonality" for risks associated with the seasonality of our sales.

Product Pricing

Our products are priced in line with our "accessible premium products" proposition. We generally price our products based on various factors, including primarily their manufacturing costs, our historical sales data for similar products, prices of competitive products in the market as well as our expected profit margins.

We may offer discounts or promotions during shopping festivals such as Double Eleven, 618 and the Chinese New Year to attract consumers and increase both our sales and brand exposure and awareness among consumers.

However, given our diverse sales channels, we usually have tailored SKUs for each sales channel, and the prices of similar products in different channels might vary slightly given the differences in packaging or size.

SALES NETWORK

We have a comprehensive sales network covering multiple sales channels, reaching consumers nationwide within China and enabling consumers to purchase our products with ease through their preferred channels.

We believe that competition among our different sales channels is low because we have developed different SKUs or SPUs pursuant to the characteristics of our different sales channels. We evaluate each sales channel's characteristics and target customers, and based on these insights, we develop SKUs or SPUs that are tailored to each specific sales channel.

Sales Channels

Our sales channels primarily include (i) e-commerce platforms such as Tmall.com, JD.com and Pinduoduo; (ii) short video platforms such as Douyin and Kuaishou; (iii) our offline stores, including our own stores and franchised stores; (iv) wholesale customers; and (v) distributors.

The table below sets forth our revenue breakdown by sales channel for the periods indicated.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in RMB thousands, except for percentages)					
E-commerce platforms — consumers	4,071,920	55.8%	3,543,964	49.8%	4,392,040	41.3%
E-commerce platforms — wholesale	375,872	5.2%	299,638	4.2%	380,124	3.6%
Short video platforms	716,538	9.8%	1,407,281	19.8%	2,634,742	24.8%
Offline stores	944,357	12.9%	358,442	5.0%	403,696	3.8%
Offline distributors	821,085	11.3%	774,765	10.9%	1,479,863	13.9%
Wholesale customers	277,304	3.8%	566,584	8.0%	1,161,013	10.9%
Other channels	86,081	1.2%	163,902	2.3%	170,575	1.6%
Total	**7,293,158**	**100.0%**	**7,114,576**	**100.0%**	**10,622,053**	**100.0%**

E-commerce platforms

E-commerce platform sales was our strategic focus in the nascent stage of our development and continues to be our major sales channel. We sell our products through our stores on various e-commerce platforms such as Taobao.com, Tmall.com, JD.com and Pinduoduo.com. We generally operate our stores on third party online platforms directly and retain ownership of the products until they are delivered to consumers. The e-commerce platforms charge us platform and service fees based on our sales through each platform. We also sell our products to certain e-commerce platforms on arrangements similar to those for offline distributors. In addition to consumer-oriented e-commerce platforms, we also sell our products to or through wholesale-oriented e-commerce platforms.

In 2022, 2023 and 2024, our sales through or to consumer-oriented e-commerce platforms amounted to RMB4,071.9 million, RMB3,544.0 million and RMB4,392.0 million, accounting for 55.8%, 49.8% and 41.3% of our total revenue in the respective periods. In 2022, 2023 and 2024, our sales through or to wholesale-oriented e-commerce platforms amounted to RMB375.9 million, RMB299.6 million and RMB380.1 million, accounting for 5.2%, 4.2% and 3.6% of our total revenue in the respective periods.

Short Video Platforms

In view of the growing popularity of shopping via the short video platforms, we started selling our products through such channel, primarily Douyin and Kuaishou, in 2020. In addition to being an effective sales channel, we believe that our presence in short video platforms also helps increase our brand awareness and promote our brands and products since these platforms combine shopping experience with entertainment and are rapidly gaining popularity among consumers. In addition, we can gather consumer feedback and sales data within a short time period on such platforms, allowing us to assess the popularity of our products and the effectiveness of our sales and product strategies quickly.

As we successfully implemented our strategic channel expansion, sales through short video platforms also increased rapidly over the Track Record Period. In 2022, 2023 and 2024, sales through our short video platform channels amounted to RMB716.5 million, RMB1,407.3 million and RMB2,634.7 million, accounting for 9.8%, 19.8% and 24.8% of our total revenue in the respective periods.

We sell our products to consumers through (i) our own short video account, (ii) collaboration with KOLs and live-streamers and (iii) directly on platforms operated by the short video apps such as Douyin mall. For sales through the short video platforms, all our products are sold to consumers directly, and we retain ownership of the products until they are delivered to consumers. The short video platforms charge us platform and service fees for using the platforms.

Offline stores

We believe offline stores are an important element of our overall sales channel strategy. We have been optimizing our overall store network in terms of the number of our stores, their locations as well as their store formats.

The table below sets forth the total number of our stores, including our self-owned stores and franchise stores, and their movement during the Track Record Period.

	2022	2023	2024
Number of stores at the beginning of the period . . .	1,065	561	415
Number of new stores	45	150	212
Number of closed stores	549	296	294
Number of stores at the end of the period	561	415	333

Self-owned Stores

Our self-owned stores are usually located in districts with dense population and high consumer traffic. These locations are strategically and specifically selected to allow us to showcase our brands and products to the broadest range of consumers and to reach consumers more effectively. We select the location of our stores based on certain key criteria, including consumer traffic in the area, macroeconomic factors relating to the general area and the compatibility of the potential location with our overall strategy for our store network. In addition to products under our own brands, our stores also sell a limited number of third-party products so that our consumers have more varieties to choose from and can compare our products with other similar products on the market.

Revenue from our self-owned stores amounted to RMB457.2 million, RMB99.2 million and RMB28.2 million in 2022, 2023 and 2024, accounting for 6.3%, 1.4% and 0.3% of our revenue in the respective periods. As of December 31, 2022, 2023 and 2024, we had 23, 12 and 31 self-owned stores. Our revenue from our self-owned stores was much higher in 2022 as compared with the other years, as our wholesale customers also made purchases at our self-owned stores in 2022, while we required these customers to make purchaser at our headquarters instead.

Franchise Stores

In order to expand the geographical coverage of our store network to ensure that we can reach consumers nationwide, we have entered into arrangements with franchisees to operate stores under the "Three Squirrels" brand and in accordance with our detailed specifications. We believe that the franchise stores allow us to penetrate into new locations and expand our store network quickly and cost-effectively. We have a seller-buyer relationship with our franchisees whereby the ownership of the products is transferred to our franchisees upon their purchase of the products.

Revenue from our franchise stores amounted to RMB487.2 million, RMB259.2 million and RMB375.5 million in 2022, 2023 and 2024, accounting for 6.7%, 3.6% and 3.5% of our revenue in the respective periods. As of December 31, 2022, 2023 and 2024, we had 538, 403 and 302 franchise stores.

Selection and management of franchisees

We select our franchisees based on a number of criteria including their local relationships and experiences, current scale of business, marketing capabilities, financial condition, risk management capabilities, reputation and geographical coverage.

We require our franchise stores be managed in substantially the same manner as our own stores to ensure that our strategies, policies and operational procedures are implemented uniformly across our entire store network. All of our franchise stores are connected to our IT systems to allow us to easily manage and monitor these stores. For example, our franchise stores are required to use our point-of-sale system, which allows us to manage and monitor their inventory levels and sales in the same way that we manage our self-owned stores.

As part of our active management of our franchisee relationships, we conduct periodic review of their performance, including their sales records and compliance with our policies. Based on the results of our review, we may decide to renew or terminate a franchise agreement with a particular franchisee.

In 2023 and 2024, one of our franchisees were our employees. Revenue contribution from this franchisee amounted to RMB1.7 million in 2023 and RMB1.6 million in 2024, accounting for 0.02% and 0.01% of our total revenue in the respective periods. Our transactions with this franchisee were conducted on an arm's length basis and on similar terms as our other franchisees. We are in the process of terminating this franchisee. We have terminated this franchisee on April 24, 2025. Other than this franchisee, to the best knowledge of our Directors, during the Track Record Period, all our other franchisees were Independent Third Parties.

Major terms with our franchisees

We enter into franchise agreements with our franchisees. The terms of the agreements vary depending on the result of our negotiation with each franchisee, but these agreements largely follow our standard template for franchise agreements. The table below sets forth the key terms of our typical franchise agreements:

Duration	:	Generally three years.
Sale of products	:	Our franchisees can only sell our products and products pre-approved by us in designated franchise stores. Our franchisees are required to purchase products from us through our centralized platform.
Return policy	:	Our franchisees are generally allowed to exchange or return products for quality issues only.

Pricing policy	:	Our franchise agreements generally do not contain provisions relating to pricing of products, although we do have suggested retail price for our products that we typically expect our franchisees to follow, and some of the suggested retail prices are printed on product packages to ensure compliance.
Minimum purchase requirements	:	Our franchise agreements generally do not contain minimum purchase requirements.
Franchise fees and other fees	:	Our franchisees are required to pay us technology services fees and security deposits.
Opening of stores	:	Our franchisees are required to obtain our approval for the location of the new franchise store.
Development schedules	:	Our franchisees are required to complete the fit-out of the store within 40 days of being provided the fit-out plans by us to ensure that the store will open according to our timetable.
Termination	:	We are entitled to terminate the agreement upon the occurrence of certain events, such as a material breach of the agreement by the franchisee, the franchisee selling products not approved by us or the franchisee failing to pay for the products.

The table below sets forth the total number of our franchisees and their movement during the Track Record Period.

	2022	2023	2024
Number of franchisees at the beginning of the period	789	456	284
Number of new franchisees	133	56	91
Number of terminated franchisees	466	228	182
Number of franchisees at the end of the period	456	284	193

Distributors

We engage distributors to cover the extensive local points of sale nationwide. Our distributors are typically companies engaged in the distributing and selling of consumer goods with specific regional coverage and established local sales network. Sales through our distributors amounted to RMB821.1 million, RMB774.8 million and RMB1,479.9 million in 2022, 2023 and 2024, accounting for 11.3%, 10.9% and 13.9% of our total revenue in the respective periods.

We have a seller-buyer relationship with our distributors whereby the ownership of the products is transferred to our distributors upon their purchase of the products.

To the best knowledge of our Directors, during the Track Record Period, all our distributors were Independent Third Parties. Two of our distributors were controlled by our former employees of ours. None of our distributors were controlled by any of our present employees during the Track Record Period.

Selection and Management of Distributors

We select our distributors based on a number of factors, including their qualifications, scope of operations, business scale, relevant industry experience, local distribution network, geographical points of sale coverage and customer service capabilities.

We regularly assess the performance of our distributors and leverage the assessment as a basis to determine whether to renew our agreement with a certain distributor. More specifically, we periodically review the sales performance of all our distributors and, for the distributors who are not performing well, we work with these distributors to try to identify and solve the issues impacting their performance. If the sales performance of these distributors is still not improving, we may consider terminating our relationship with them.

We consider various factors for renewing agreements with distributors, including their historical sales, payment record, compliance with the distribution agreement and sales and marketing capabilities.

Our distributors are generally only allowed to sell our products in designated stores offline and in designated areas. We generally reserve the right to impose penalty, ask the distributor to forfeit its deposits (if any) and terminate the distribution agreement in the event that the distributors breach such requirements on distribution channels and areas.

Some of our distributors may engage sub-distributors, in which case they may further enter into agreements with the sub-distributors. During the Track Record Period, we did not enter into any agreements or otherwise directly establish relationships with any sub-distributor. Consequently, we have no control over sub-distributors.

Major Terms with Our Distributors

We enter into distribution agreements with our distributors. The terms of the agreements vary depending on the result of our negotiation with each distributor, but these agreements largely follow our standard template for distribution agreements. The table below sets forth the key terms of our typical distribution agreements:

Duration	:	Generally one year.
Payment and credit terms	:	We require our distributors to pay us before we ship the products.

Delivery of products	:	We are responsible for delivering products to the locations provided by our distributors.
Transfer of risks	:	Risks transfer to the distributors once products have been delivered by us to the agreed-upon location.
Product returns/ exchanges	:	We do not accept product returns or exchanges other than in the case of quality issues.
Sales of products	:	Our distributors are only allowed to sell our products in designated areas and channels.
Sales target	:	Our distribution agreements may contain monthly and annual sales targets.
Minimum purchase requirements	:	If a distributor fails to purchase enough products from us within a certain time frame to meet the sales target, we may be entitled to adjust its designated sales areas or terminate the agreement.
Pricing policy	:	Our distributors are required to sell products according to our pricing policies.
Termination	:	The agreement can be terminated upon mutual consent. In addition, we may be entitled to terminate the agreement upon the occurrence of certain events, such as the distributor violating our pricing policy or failing to meet the minimum purchase requirements.

The table below sets forth the total number of our distributors and their movement during the Track Record Period.

	2022	2023	2024
Number of distributors at the beginning of the period	292	1,167	1,062
Number of new distributors	1,079	74	937
Number of terminated distributors	204	179	128
Number of distributors at the end of the period	1,167	1,062	1,871

The number of our distributors increased significantly in 2022 since we started to engage regional distributors in late 2021 to expand our business and sales channels and accordingly added many distributors in 2022. During the Track Record Period, we terminated distributors primarily due to sales performance failing to meet expectations.

Wholesale Customers

We also sell our products to wholesale customers who are typically enterprises that make bulk purchases, either for their consumption or gifting within the organization or for resale to designated customers or channels. Typically, our wholesale customers purchase gift packs or giftboxes. As of December 31, 2022, 2023 and 2024, the number of wholesale customers was 4,786, 2,316 and 1,673. Sales to wholesale customers amounted to RMB277.3 million, RMB566.6 million and RMB1,161.0 million in 2022, 2023 and 2024, accounting for 3.8%, 8.0% and 10.9% of our total revenue in the respective periods. To the best knowledge of our Directors, during the Track Record Period, eight of our offline wholesale customers were controlled by our former employees. In 2022, 2023 and 2024, revenue generated from these offline wholesale customers amounted to RMB17.3 million, RMB32.5 million and RMB50.0 million, accounting for approximately 0.2%, 0.5% and 0.5%, respectively.

We have a seller-buyer relationship with our wholesale customers whereby the ownership of the products is transferred to our wholesale customers upon their purchase of the products. We may enter into framework sales agreements with wholesale customers, under which they can place bulk purchase orders specifying the price, quantity and product specifications.

We do not manage our wholesale customers like our distributors. Even though our wholesale customers are allowed to sell our products to certain channels or retail outlets, they are typically different from our distributors in the following key aspects:

	Distributors	**Wholesale Customers**
Background	Companies engaged in the distributing and selling of consumer goods with specific regional coverage and established local sales network	Large scale corporations or wholesalers. They do not necessarily have the channel resources and expertise like our distributors.
Typical type of products purchased	Products suitable for offline channels	Gift packs or gift boxes
Marketing support from us	Yes	No
Discount off suggested retail price	Higher	Lower

We believe that the pricing difference and marketing support from us are crucial to avoid competition between our distributors and wholesale customers, as financial incentive is a key commercial rationale. We typically apply a certain discount rate off our suggested retail price to fix our selling price to both our distributors and wholesale customers. For our distributors, as we expect them to distribute our products and engage in on-selling activities as part of our omni-channel approach, the discount rate we apply allows room for profit for all players down the distribution chain from our distributors to the retail outlets. This would be the key financial incentive for our distributors to work with us. Our wholesale customers, on the other hand, we generally apply a lower discount rate off the benchmark suggested retail price, thereby reducing their financial incentive for unauthorized sales to channels and retail outlets.

To further minimize the risk of channel conflict, we require offline wholesalers who wish to re-sell our products to apply for approval of the specific customers or channels they intend to cover. We assess these requests on a case-by-case basis to ensure alignment with our overall sales network strategy, and upon our approval, such offline wholesale customers are required to enter into an authorization agreement with us. We only allow such offline wholesale customers to re-sell our products to customers or channels that are not already covered by existing channels. We do not provide incentives to encourage our offline wholesalers' resell efforts and we reserve the right to impose penalty, ask offline wholesalers to forfeit deposit (if any) and terminate relevant cooperation in the event that offline wholesalers breach such requirements on our resale restrictions.

In addition, the products sold through offline wholesalers at scale are typically gift packages or boxes specifically designed for such customers. Such products generally differ from the differ from the products sold through other sales channels in terms of packaging and size.

Major Terms with Our Wholesale Customers

The table below sets forth the key terms of our framework agreements with wholesale customers:

Duration	:	Generally one year.
Payment and credit terms	:	We require our wholesalers to pay us before we ship the products.
Delivery of products	:	We are responsible for delivering products to the locations provided by our distributors.
Transfer of risks	:	Risks transfer to the wholesalers once products have been delivered by us to the agreed-upon location and upon their confirmation.
Product returns/ exchanges	:	We do not accept product returns or exchanges other than in the case of quality issues or other specific circumstances.
Bulk purchase requirement	:	We may set a minimum purchase requirement for each order the offline wholesaler makes. We may not accept orders below such minimum purchase requirement.

Termination : The agreement can be terminated upon mutual consent. In addition, we are entitled to terminate the agreement upon the occurrence of certain events, such as the offline wholesaler violating our pricing policy or selling restrictions.

Top Customers

Our customers include end-consumers, e-Commerce platforms, distributors, franchisees and wholesale customers. Our top customers during the Track Record Period are primarily e-commerce platforms and distributors. In 2022, 2023 and 2024, sales to our five largest customers amounted to RMB2,287.8 million, RMB1,811.7 million and RMB2,104.0 million, accounting for 31.4%, 25.5% and 19.8% of our total revenue in the respective periods. In 2022, 2023 and 2024, sales to our largest customer amounted to RMB1,611.2 million, RMB1,145.3 million and RMB1,339.5 million, accounting for 22.1%, 16.1% and 12.6% of our total revenue in the respective periods. During the Track Record Period, to the best knowledge of our Directors, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest customers in any period during the Track Record Period that are required to be disclosed under the Hong Kong Listing Rules.

The following tables set forth certain information relating to our five largest customers for the periods indicated.

For the year ended December 31, 2022

Customer	Transaction amount (RMB millions)	Percentage of revenue	Years of business relationship	Background
Customer A and its related entities	1,611.2	22.1%	9	Customer A is a subsidiary of a leading e-commerce company listed on NASDAQ and the Hong Kong Stock Exchange and headquartered in China. The related entities are under the same control as Customer A.
Customer B and its related entities	590.2	8.1%	13	Customer B is a subsidiary of a leading e-commerce company listed on NYSE and the Hong Kong Stock Exchange and headquartered in China. The related entities are under the same control as Customer B.
Shanghai Yuanpeng Industrial Co., Ltd.	33.8	0.5%	5	A FMCG distributor based in Shanghai
Customer D	28.2	0.4%	5	A FMCG distributor based in Shanghai
Customer E	24.4	0.3%	4	A Chinese shopping platform for locally found consumer products and retail services

For the year ended December 31, 2023

Customer	Transaction amount (RMB millions)	Percentage of revenue	Years of business relationship	Background
Customer A and its related entities	1,145.3	16.1%	9	Customer A is a subsidiary of a leading e-commerce company listed on NASDAQ and the Hong Kong Stock Exchange and headquartered in China. The related entities are under the same control as Customer A.
Customer B and its related entities	499.1	7.0%	13	Customer B is a subsidiary of a leading e-commerce company listed on NYSE and the Hong Kong Stock Exchange and headquartered in China. The related entities are under the same control as Customer B.
Customer E	94.2	1.3%	4	A Chinese shopping platform for locally found consumer products and retail services
Shanghai Yuanpeng Industrial Co., Ltd.	37.1	0.5%	5	A FMCG distributor based in Shanghai
Customer F	35.9	0.5%	5	A FMCG distributor based in Jiangsu

For the year ended December 31, 2024

Customer	Transaction amount (RMB millions)	Percentage of revenue	Years of business relationship	Background
Customer A and its related entities	1,339.5	12.6%	9	Customer A is a subsidiary of a leading e-commerce company listed on NASDAQ and the Hong Kong Stock Exchange and headquartered in China. The related entities are under the same control as Customer A.
Customer B and its related entities	443.2	4.2%	13	Customer B is a subsidiary of a leading e-commerce company listed on NYSE and the Hong Kong Stock Exchange and headquartered in China. The related entities are under the same control as Customer B.
Customer E	183.9	1.7%	4	A Chinese shopping platform for locally found consumer products and retail services
Customer G	80.1	0.8%	4	A FMCG distributor based in Shandong
Customer H	57.3	0.5%	4	A FMCG distributor based in Fujian

RAW MATERIALS AND SUPPLY CHAIN

Raw Materials and Ingredients

The key ingredients used in our nut products are nuts such as macadamia, walnuts and pistachio. We primarily purchase these ingredients from South Africa, Australia and China. Apart from these key ingredients, we also need packaging materials such as cardboard boxes and shrink wraps to produce our products.

Our ingredient prices fluctuate due to a variety of factors, including supply and demand dynamics and our ability to negotiate prices with suppliers and others.

For our key ingredients, we usually work with multiple qualified suppliers to reduce risks associated with product supply. We generally assess and compare suppliers in terms of their supply capabilities, pricing and qualifications before we decide to engage a supplier for a particular ingredient. We enter into procurement framework agreements when we think the price is low to lock down the price and reduce the impact of ingredient price fluctuations. During the Track Record Period, we did not experience any significant shortage of raw material supplies, and the raw materials provided by our suppliers did not have any significant quality issues.

Supply Chain

Our supply chain operations are guided by the principle of "one product, one chain" whereby we have constructed tailored supply chains for each of our main products, which allows us to achieve optimal operational efficiencies and cost savings and enables our rapid expansion into new product categories.

Our supply chain management are centred around our four integrated supply bases. For example, our production centre located in Wuhu, Anhui serves as our integrated centre for nuts products. We have attracted over 20 supply chain partners to set up operations in our production centre. This way, we can produce and ship products quickly and efficiently in this production centre, decreasing our logistics costs and improving our product freshness. Similarly, we have established production centres in Wuqing, Tianjin and Chengdu, Sichuan for our other product categories. Our production centers are highly digitalized and automated to achieve optimal production efficiency and decrease production costs. For example, we employ intelligent sorting and selection machines to inspect and select products during the production process for our meat products, and the production line for our Chinese cake products has been highly automated with machines automatically handling the material preparation, baking and packaging processes. In addition, with the automation of the production line, the entire production process for our Chinese cake products is highly traceable, and we can easily obtain and analyze data relating to any particular process rapidly.

The implementation of our "one product, one chain" strategy requires enhanced digital capabilities that allow us to monitor, track and manage the various processes of the supply chain on a real-time basis. To this end, we have improved our Cloud Manufacturing ("雲造") system to collect and manage all our supply chain information and operations centrally. For details, see "— Information Technology"

Our Suppliers

Our major suppliers are suppliers of raw materials as well as our OEM partners. We have established and maintain stable and long-term relationships with our major suppliers to ensure the stability of supplies.

Our purchase amount from our five largest suppliers accounted for less than 30.0% of our total purchases for each of 2022, 2023 and 2024.

Selection and management of suppliers

We are fully committed to product quality, which we believe starts with using carefully selected ingredients. We have a strict selection process and a set of robust criteria for selecting our suppliers, including both suppliers of ingredients and other raw materials such as packing, as well as our OEM partners. For selection and management of our OEM partners, see "— Production and Manufacturing — Our OEM partners"

We select our raw material suppliers based on their scale and reputation, supply capabilities, quality of their supplies, their financial condition and logistics and distribution capabilities. We engage third-party testing agents to complete a final check before we approve any supplier. We also inspect product samples from those who pass the screening process and may conduct on-site inspections to ensure compliance with our quality standards. In addition, we require our suppliers to provide various certificates and qualifications to prove that the ingredients supplied by them comply with the relevant national and industry standards. For example, for our meat suppliers, we require the animal quarantine certificate, and for our seafood suppliers, we require the chemical contaminant test regularly.

Our centralized platform, Cloud Manufacturing ("雲造"), manages our raw material supplies and supplier information. Orders to our suppliers are placed through the Cloud Manufacturing platforms, and the platform also records information relating to such orders, such as logistics, delivery and quality.

Terms of contract

We generally enter into annual framework agreements with our suppliers setting forth general terms that will be used in each purchase order. Depending on the actual production plan, our raw material purchases are made on a purchase order basis, and we specify the product type, unit price, quantity, delivery timeline and other items in each purchase order we send to our suppliers. Payment terms granted by our suppliers vary depending on a number of factors including the size of the transactions and the types of raw materials purchased. We generally are granted a credit period of 30 days by our suppliers.

PRODUCTION AND MANUFACTURING

Guided by our proposition of offering accessible premium products to consumers, we started producing our nuts products in our own factories in 2022. In 2024, a substantial majority of our nuts products were produced in our own factories. We plan to gradually switch from third-party production to producing in our own factories for the majority of our products. We believe that this would allow us to better control both the quality and the costs of our products. For details, see "— Development Strategies."

Production Process

The chart below illustrates the production process for certain of our nuts products:

For certain of our nut products, the ingredients we procure can be sent to sorting and packing factories without such production process.

Our Factories

We have eight factories located in Anhui, Sichuan, Guangxi and Tianjin for the production of our nuts products. The following table sets forth certain information regarding our factories.

Factory	Primary function and products handled	Year established	Gross floor area (thousand m^2)
Wuwei Sorting Factory	Sorting and packing	2018	89.6
Wuhu Sorting Factory	Sorting and packing	2015	41.4
Chengdu Sorting Factory	Sorting and packing	2024	12.0
Wuwei Processing Factory and Daily Nuts Factory[(1)]	Sorting, packing and processing cooked products	2022	158.2
Tianjin Sorting Factory and Tianjin Processing Factory[(2)]	Sorting, packing and processing cooked products	2024	84.6
Songshu Fumin Factory	Processing raw products	2024	6.0

Notes:

(1) These factories share the same site areas in Wuwei.

(2) These factories share the same site areas in Tianjing.

The following table sets forth the production capacity and utilization rate of our factories for the periods indicated.

Factory	Production capacity[1]			Utilization rate (%)[2]		
	2022	2023	2024	2022	2023	2024
Wuwei Sorting Factory (capacity in thousand packs)	782,063	810,375	852,938	33.9%	40.8%	58.6%
Wuhu Sorting Factory (capacity in thousand packs)	363,750	359,063	398,597	25.1%	50.5%	59.7%
Tianjin Sorting Factory (capacity in thousand packs)[3]	N/A	N/A	73,100	N/A	N/A	87.1%
Chengdu Sorting Factory (capacity in thousand packs)[4]	N/A	N/A	4,071	N/A	N/A	17.5%
Daily Nuts Factory (capacity in thousand packs)[5]	165,417	309,563	330,750	39.9%	68.6%	79.1%
Wuwei Processing Factory (capacity in tons)[6]	1,205	11,303	16,791	32.4%	45.5%	65.5%
Tianjin Processing Factory (capacity in tons)[7]	N/A	N/A	3,082	N/A	N/A	68.9%
Songshu Fumin Factory (capacity in tons)[8]	N/A	N/A	2,589	N/A	N/A	20.6%

Notes:

(1) The production capacity is calculated based on the designed maximum daily production capacity of the equipment, weighted by the number of production days in peak and off-peak seasons. We assumed that the factories operate at 21 hours per day during the peak season (January, February, and September to December), and at 10.5 hours per day during the off-peak season (March to August). We assume a total of 250 production days per year, evenly split between peak and off-peak periods (125 days each). For factories that begin operation partway through the year, the number of production days in each season is proportionally adjusted based on the actual days of operation.

(2) The utilization rate is calculated by dividing the actual production output by production capacity of the year and annualized as applicable.

(3) The Tianjin sorting factory commenced production on October 2024.

(4) The Chengdu sorting factory commenced production on December 2024.

(5) The Daily Nuts factory commenced production on July 2022.

(6) The Wuwei processing factory commenced production on November 2022.

(7) The Tianjin processing factory commenced production on November 2024.

(8) The Songshu Fumin factory commenced production on August 2024.

Our eight factories are relatively new as we only began in-house production of our products in 2022. In addition, these factories were designed to accommodate for our future growth. This, together with the ramp-up factor, resulted in a low utilization rate during the Track Record Period. However, as we grew our business, the overall utilization of our factories improved during the Track Record Period.

Expansion Plan

As we grow along our guiding principle of "all-category + omni-channel", we plan to further expand our production capacity to increase the proportion of products produced in-house. In particular, we plan to methodically expand around our various supply chain hubs based on the following plan:

- ***Nuts.*** We plan to establish 22 production lines in six new processing factories and our existing factories with an aggregate production capacity of approximately 63,500 tons per annum. The aggregate investment amount for these factories in 2025 and 2026 is expected to be approximately RMB230 million. We expect to commence production at four of these factories in 2025 and two of these factories in 2026.

- ***Snacks, baked goods, dried fruits, meat products and others.*** We plan to establish 26 production lines in 25 new processing factories with an aggregate production capacity of approximately 150,000 tons per annum. The aggregate investment amount for these factories in 2025 and 2026 is expected to be approximately RMB220 million. We expect to commence production at six of these factories in 2025 and 19 of these factories in 2026.

- ***Nut milk beverages.*** We plan to establish one new production line in our existing factory with a production capacity of approximately 4,200 tons per annum. The aggregate investment amount for these factories in 2025 and 2026 is expected to be approximately RMB25 million. We expect to commence production at this production line in 2025.

- ***Sorting and packaging.*** We plan to establish 131 production lines in one new sorting and packaging factory and our existing factories, with an aggregate production capacity of approximately 110,000 thousand packs per annum. The aggregate investment amount for these factories in 2025 and 2026 is expected to be approximately RMB70 million. We expect to commence production at the new factory in 2025 and 125 of those production lines in 2026.

In terms of geographical location, we plan to establish nine new processing factories in Eastern China, six new processing factories in Southwestern China, nine new processing factories in Northern China, five new processing factories, and one new sorting and packaging factories in Southern China. We also plan to establish two new processing factories in Vietnam and Cambodia.

We plan to fund these capacity expansion projects through our operating cashflow, our cash balances and the proceeds from the **[REDACTED]**.

Equipment and Machinery

We mostly purchase the major equipment and machinery used in the production of our nuts products, including deep processing and roasting equipment, frying equipment and packaging equipment. We regularly inspect and maintain such equipment and replace worn consumable parts and components. Our major production equipment and machinery have an estimated average useful life of 10 years.

Our OEM Partners

To better meet market demand and ensure adequate supplies for our diversified product offerings, during the Track Record Period, we partnered with some OEM providers for the production of substantially all of our products other than nuts.

We maintain rigorous standards for selecting our OEM partners, taking into account various factors, including their qualifications, supply capabilities, management systems, production facilities and operational standards. Before we qualify an OEM partner as our supplier, we undertake a comprehensive evaluation of their business licenses, permits, production licenses, external product inspection reports, management system certifications, product certifications and other relevant documentation. We require our OEM partners to adhere to our guidelines and policies, as well as relevant industry and regulatory standards, throughout the procurement of raw materials and all critical production processes involved in the manufacturing of our products.

Guided by our principle of providing accessible premium products and in line with our strategy of gradually switching from third-party manufacturing to manufacturing in our own factories, we have strategically acquired equity interests in certain of our OEM partners to consolidate our supply chain and exert better control over the quality of production. Details of the equity interests we acquired are set out in note 42 in Appendix I — Accountants' Report. Other than these associates and affiliates, all our other OEM partners were independent third parties during the Track Record Period.

Major terms of contract with our OEM partners

We generally enter into framework agreements with our OEM partners. Set forth below are the major terms of our standard framework agreement with our OEM partners:

Duration	:	Generally one year.
Pricing	:	Generally specified in purchase orders.
Payment and credit terms	:	Our OEM partners generally grant us a credit period of 30 days after we receive their invoices.

Product quality	:	• Products provided by our OEM partners should meet our quality standards, and we can refuse to accept products that do not meet our standards. • If quality issues are discovered after the products have been accepted by us, we can return the products that have quality issues. • We are entitled to inspect the production sites of our OEM partners, and if we discover that our OEM partner's production site or equipment does not meet our quality standards, we can terminate the agreement. • Our OEM partners should provide product testing results
Product returns	:	Other than products that do not meet our quality standards, we can also return products for other reasons with our OEM partner's consent.
Minimum purchase commitment	:	Our framework agreements generally do not contain minimum purchase commitments.
Liability/indemnity	:	Our OEM partners generally indemnify us for any losses incurred in connection with products supplied by the OEM partner.
Termination	:	We are entitled to terminate the agreement with 15 days' notice.

Quality Control

We have established a robust quality control system to safeguard the quality of our products, both those produced by us and by our OEM partners. One of our subsidiaries is certified by CMA and CNAS for more than 200 types of quality control inspection.

Products produced by our own factories

Our quality control and management system for our own production complies with relevant industry standards and covers the entire supply and production chain, from raw material selection, production, storage, logistics to sales. We implement stringent policies to manage our suppliers of ingredients and packaging materials, regularly assessing the quality of products supplied by them and verifying their qualifications. We implement product safety and quality control standards strictly to ensure that all of our products meet the relevant national safety standards. We have also set up a dedicated product quality assurance team and established an information traceability system to extend quality control to storage, logistics and sales. During the Track Record Period, we (i) did not experience any material fines, product recalls or penalties from the relevant competent authorities regarding product quality issues, (ii) did not receive any material product returns from our customers and (iii) did not receive any material complaints from our consumers.

Products produced by our OEM partners

For products produced by our OEM partners, we have stringent requirements and standards for every step of their production processes and require our OEM partners to submit proof of compliance onto our systems. Specifically, we have stablished standards and guidelines for our OEM partners in the following areas: factory environment and building structure, facilities and equipment, quality management system, personnel management, pest control, supply chain and raw material management, production process control, cleaning and disinfection, product inspection, food storage and transportation and food safety incident management. Our OEM partners are required to follow these standards, and we conduct on-site visits and inspections to ensure that our OEM partners' production complies with both the industry standards and our requirements. In addition, our OEM partners are required to produce products based on our standard formula and to only procure and use raw materials that meet our quality standards to ensure the consistency and quality of our products.

We have a robust quality check process to assess whether the products delivered by our OEM partners pass our quality requirements. In particular, other than inspecting products delivered by our OEM partners, we also require our OEM partners to periodically provide samples for us to test to assess their quality control standards.

Inventory Management

Our procurement team works closely with our products team and sales team to periodically plan and review our sales to formulate our procurement and production plans. We monitor and adjust our procurement and production plans regularly with reference to our real-time sales data and market reaction to our products and marketing campaigns.

As a result of our inventory management measures, as of December 31, 2022, 2023 and 2024, we had inventories of RMB1,071.0 million, RMB1,387.6 million and RMB2,083.5 million. In 2022, 2023 and 2024, our inventory turnover days were 93.0 days, 81.6 days and 78.2 days, as compared to the industry average of around 90 days, according to CIC.

Logistics

Some products are delivered by our OEM partners to consumers directly to optimize logistics efficiency. For these products, the logistics expenses are born by our OEM partners and included in the price quotes provided by our OEM partners. Otherwise, products are delivered to end consumers or our stores from our warehouses. We generally engage third-party logistics service providers for the transportation of our products. We usually enter into agreements with our logistics service providers on an annual basis. Our logistics service providers bear the risks associated with the delivery of our products.

Our products are usually stored in warehouse owned or leased by us before we deliver these products to our customers. We may also engage third-party warehouse service providers for the storage of products during peak seasons. We enter into agreements with these third-party warehouse service providers as needed, and these third-party warehouse service providers typically bear the risks of products stored in their warehouses.

RESEARCH AND DEVELOPMENT

Research and development ("**R&D**") are critical to our continued success and future operations. We focus our research and development efforts on both product R&D and technology or production related R&D where we research technologies and equipment that help to upgrade our production facilities or increase our production efficiencies.

Product Research and Development

Our product development team decides the specifications of our new products based on market trends and consumer needs and is responsible for bringing the new products to market. We regularly assess our current product portfolio as well as production technologies and processes to identify areas for improvement. Based on insights gained from customer reviews, market trend research, suggestions from our OEM partners and distributors as well as benchmarking against our competitors' products, we identify potential improvement areas such as flavor or texture to be enhanced. We accordingly focus our research and development efforts on these areas.

If a new product receives positive consumer feedback, our research and development team will cooperate with our product team closely to improve the taste and appeal of the product, optimize the production process with the goal of decreasing its production costs and undertake research and development projects to explore new products or flavors based on consumer feedback.

We also collaborate with our OEM partners to conduct product research and development together so that we can leverage their experience, insight and production capabilities. We can bring a new product to market in as little as 30 days, which enables us to quickly capture market trends and bring products to market before our competitors.

In 2024, our research and development department completed a total of 64 new research and development projects covering multiple product categories, such as meat products, nuts, baked goods, beverages and baby products, significantly enriching our product portfolio. For example, we successfully developed coconut latte flavored macadamia within approximately seven months and obtained intellectual properties covering various aspects of the process, from formula to production process. We also developed a healthy yogurt product for children that does not contain added artificial flavoring or coloring since most yogurt products on the market were commonly made with additives, especially artificial flavoring and coloring.

Technology and Processing Technique Research and Development

Our research and development efforts in terms of technology and production techniques lay the foundation for our sustainable development. We focus on innovative technologies and techniques, continuously exploring new technologies and methods to create more value. For example, our research and development team participated in the design of our new factories to ensure that the layout of the production lines are optimized to ensure production efficiency and stability.

Research and Development Team

As of December 31, 2024, we had 139 full-time employees working on research and development, more than 79% of whom had a bachelor's degree or higher. In 2022, 2023 and 2024, our research and development expenses amounted to RMB38.4 million, RMB24.9 million and RMB28.4 million.

Other than our internal research and development efforts, we cooperate with external parties such as universities to undertake research and development projects. We generally bear the expenses of these collaborative research and development projects and own the intellectual properties, particularly patents, resulting from these projects, if any.

INFORMATION TECHNOLOGY

We have developed various systems and applications for our business operations.

Cloud Manufacturing

Our digital supply chain system, Cloud Manufacturing ("雲造"), plays a critical role in our supply chain management. We can quickly develop and adjust our production plans according to our sales forecast and real-time sales data on our Cloud Manufacturing system, achieving coordinated efficient production across our multiple production centres. We also plan our procurement plans and logistics arrangements in our Cloud Manufacturing system pursuant to our production and sales data, thereby enabling efficient data-based collaboration along our supply chain and across the multiple functions of our business operations.

We encourage all our suppliers and distributors to connect to our systems so that we have a centralized platform for the management of our business operations that covers various aspects of our business, including raw material supplies, manufacturing, sales, inventory management, logistics, delivery and product quality. For example, our suppliers can receive real-time orders by us through our Cloud Manufacturing system, allowing them to prepare materials and schedule production quickly, thereby improving the overall response time and efficiency of our entire supply chain.

In addition, our Cloud Manufacturing system records basic information of our suppliers such as their qualification, certifications, historic data on product quality and delivery times. We also monitor our suppliers' order fulfilment status such as inventory and shipping progress through the Cloud Manufacturing system. This also enables us to conduct multidimensional assessments and ratings of our suppliers so that we can evaluate our suppliers and select the high-quality ones.

Order Management

Our order management system handles the entire order process, from customers placing orders, order processing, tracking to delivery of products. Our distributors' orders as well as our end customers' orders are both managed in our Order Management system. Our Order Management system is connected to terminal sales points and allows us to manage both orders placed by our distributors as well as orders placed by end customers. The system processes orders based on inventory status, urgency and production plans and is highly automated and intelligent. For example, if we have enough inventory in stock, the system will directly arrange for shipment of products when an order is received. If inventory is insufficient, the system will initiate the production process to replenish inventory.

Furthermore, we have various other systems and applications covering different aspects of our business, such as (i) our inventory management system, which tracks, records and manages our inventory, (ii) our customer relationship management system, which manages our distributors, including their on-boarding and sales processes and (iii) our financial system, which is a highly automated system that integrates our customers and suppliers.

USER PRIVACY AND DATA SECURITY

There are various laws and regulations, such as the Cybersecurity Law of the PRC and the Personal Information Protection Law of the PRC, that govern the collection, use, retention, sharing and security of personal data. See "Regulatory Overview — Regulations on Personal Information and Data Protection". Given that legislation and law enforcement in China on cybersecurity, data privacy and protection are still evolving, we closely monitor regulatory developments and take appropriate measures in a timely manner. During the Track Record Period, we had complied with applicable PRC laws and regulations relating to cybersecurity, data privacy and protection in all material aspects.

Our digital center oversees our data privacy and security matters. We have established and implemented measures and policies relating to data privacy and security, such as setting up firewalls, behavior management systems and anti-virus software that form a comprehensive security protection system to ensure the security of our local network. We have also implemented various measures to enhance the security of our cloud systems, such as deploying cloud firewalls and cloud security services.

COMPETITION

We operate in a highly competitive market, and we mainly compete with other FMCG companies, particularly in snacks. Our ability to maintain and grow our market share depends on us competing effectively against our competitors. The competitive landscape is shaped by multiple factors, including consumer trends and preferences, pricing and value perception, distribution channels, digitalization capabilities, branding appeal, product innovation and general economic conditions. Despite various entry barriers, new market participants may emerge, introducing innovative and attractive products that challenge existing players. If we are unable to keep pace with such advancements or fail to differentiate our products in terms of quality or cost, we risk losing market share to our competitors. See "Industry Overview" for details relating to our competitive landscape.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We believe that Environmental, Social, and Governance (ESG) considerations are essential for our long-term sustainable development. We continuously strive to strengthen our ESG governance framework, enhance our ESG practices and performance, and contribute positively to community and societal well-being through various ESG initiatives.

Corporate Governance

Since our establishment, we have remained committed to our core business while enhancing our ESG governance structure, improving our management systems, and strengthening internal risk control. We enacted the *ESG Management Measures of Three Squirrels Inc. (《三隻松鼠股份有限公司ESG管理辦法》)* to maximize our overall economic, social, and environmental value, ensuring high-quality and sustainable growth.

Our ESG governance framework is structured into three tiers, comprising the Board of Directors, the Board Strategy Committee, and the ESG Strategic Advancement Task Force. The Board of Directors serves as the decision-making and leadership body for ESG, responsible for overseeing company-wide ESG efforts, including reviewing and approving ESG strategies, plans, key policies, disclosures, and related risks. The Board Strategy Committee functions as the research and advisory body for ESG, responsible for studying the company's long-term development strategy and integrated ESG management, and providing recommendations. Specifically, the Board Strategy Committee monitors ESG trends and policy developments, reviews the company's ESG strategy, policies, metrics, and disclosures, oversees and evaluates the implementation of ESG initiatives, and makes relevant recommendations to the Board. To support the execution of ESG initiatives, we have established an ESG Strategic Advancement Task Force under the Board Strategy Committee. As the executive body for ESG, the Task Force is responsible for formulating ESG strategies, setting ESG goals and plans, implementing related policies, identifying and assessing ESG risks and opportunities, and preparing the company's annual ESG report. In addition, we require each functional department and subsidiary to designate an ESG liaison responsible for executing ESG-related tasks.

Through this structured governance framework, we are committed to embedding sustainability into our business operations, fostering long-term value creation, and ensuring the company's stable and responsible growth.

Environmental Protection

As part of our commitment to sustainable development, we are dedicated to addressing environmental challenges and minimizing our ecological footprint. We strictly comply with applicable laws and regulations, including the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), the *Law of the PRC on Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》), the *Law of the PRC on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), etc. We actively implement measures to conserve resources, reduce greenhouse gas emissions, and minimise waste discharge. Additionally, we continuously explore innovative approaches to integrate environmentally responsible practices into our operations. Our key environmental protection measures include the following:

Energy-efficient production: We strive to improve energy efficiency and reduce our environmental impact by adopting clean energy sources. In our production processes, we exclusively use natural gas as a more environmentally friendly alternative to traditional energy sources such as fossil fuels. Additionally, to improve resource efficiency, particularly in the production of meat and aquatic animal snacks, we have introduced advanced thawing equipment with temperature sensors. These sensors precisely regulate water flow and maintain optimal temperatures in thawing tanks, minimizing water consumption while ensuring product quality and safety. Through these initiatives, we continue to advance sustainable production practices and reduce our overall environmental footprint.

Green logistics: To minimize packaging waste and lower carbon emissions, we have introduced the O2C carton project, which optimizes packaging usage and promotes recycling. In 2024, we reduced our packaging waste by approximately 14 million cartons. The total amount of packaging utilised was approximately 10 million bubble bags and PE bags. Furthermore, we are accelerating automation in logistics operations to improve efficiency and accuracy. Automated sorting systems are now fully operational in our Wuhu, Ezhou, and Changsha warehouses, achieving a sorting accuracy of 99.7%. To further optimize storage efficiency and reduce operational costs, we have implemented 123,000 high-rack storage locations, effectively doubling our warehouse utilization rate compared to traditional storage methods.

Eco-friendly industrial park: Promoting a circular economy is a critical strategic priority that enhances our long-term profitability and competitive advantage. In line with our commitment to green development, we focus on sustainable production, logistics, and industrial park operations. Our Wuwei Nut Industrial Park serves as an industry benchmark for sustainable operations. Covering approximately 890 mu with a total construction area exceeding 400,000 square meters, the park integrates professional facilities, including an international-grade testing center, an R&D center, logistics and warehousing facilities, food processing and packaging lines, and nuts factories. It is a leading hard-shelled nut processing industrial cluster in China. In 2024, the industrial park generated a total of 1.62 million kWh of solar power, of which 1.34 million kWh was consumed internally, and 280,000 kWh was fed back into the grid.

As we continue our sustainability journey, we remain committed to integrating environmental responsibility into all aspects of our business operations. Moving forward, we will continue to optimize our environmental management practices and drive sustainable innovations to contribute to a low-carbon and environmentally friendly future.

ESG-related Metrics

We actively monitor the following metrics to oversee and manage environmental protection issues that may affect our business, strategy, and financial performance. The major resources we consumed were energy consumption including petrol, diesel oil, natural gas, electricity, and water consumption. Table A illustrates our usage of different resources from 2022 to 2024, while Table B illustrates the resource consumption density from 2022 to 2024. Driven by business expansion and the resulting increase in production demand, we have gradually established a centralized supply chain base. As our production capacity and product categories expand, our consumption of natural gas, electricity, and water has increased accordingly. Meanwhile, due to a reduction in the number of company vehicles and our ongoing efforts to promote green commuting, both the total consumption and density of petrol and diesel decreased in 2024.

Table A: Use of resources from 2022 to 2024

				Year ended December 31		
Use of resources	KPIs	Energy Type	Unit	2022	2023	2024
Energy	Petrol	Direct	Litre	46,845.0	50,171.4	38,819.4
	Diesel oil	Direct	Litre	26,947.1	35,399.6	22,953.8
	Natural gas	Direct	m^3	331,452.4	684,042.6	1,538,158.5
	Electricity	Indirect	kWh	14,828.901.2	20,092,197.7	24,214,201.6
Water	Water consumption		Tones	230,053.0	297,770.1	435,630.9

Table B: Resource consumption density from 2022 to 2024

Use of resources	KPIs	Unit	Year ended December 31 2022	2023	2024
Energy	Petrol	Litre/RMB100 million	642.3	705.2	365.5
	Diesel oil	Litre/RMB100 million	369.5	497.6	216.1
	Natural gas	m^3/RMB100 million	4,544.7	9,614.7	14,480.8
	Electricity	kWh/RMB100 million	203,326.2	282,408.9	227,961.6
Water	Water consumption	Tones/RMB100 million	3,154.4	4,185.4	4,101.2

The air emission is mainly caused by vehicles and the electricity purchased. The total emissions generated by us from 2022 to 2024 are shown in Table C. While overall air emissions increased due to business expansion and higher production demand, both total air emission intensity and GHG emission intensity declined in 2024, demonstrating improved operational efficiency and the effectiveness of our sustainability initiatives in reducing emissions.

Table C: Total air emissions and density from 2022 to 2024

Emission Category	KPIs	Unit	Year ended December 31 2022	2023	2024
	Nitrogen oxides (NO_X)	Kg	204.3	284.1	377.4
	Sulphur oxides (SO_X)	Kg	1.4	1.8	2.1
Air Emission	Particulate Matters (PM)	Kg	14.6	17.0	13.2
	Total air emission	**Kg**	**220.3**	**302.9**	**392.7**
	Air emission density	**Kg/RMB100 million**	**3.0**	**4.2**	**3.7**
GHG Emission	Direct GHG emission (Scope 1)	tCO_2e	131.2	141.6	108.8
	Indirect GHG emission (Scope 2)	tCO_2e	12,083.2	16,479.7	20,187.6
	Total GHG emission	**tCO_2e**	**12,214.4**	**16,621.3**	**20,296.4**
	GHG emission density	**tCO_2e/RMB100 million**	**167.5**	**233.6**	**191.0**

Waste disposal: We advocate waste reduction, with our waste primarily consisting of non-hazardous office-generated materials. From 2022 to 2024, our non-hazardous waste, as shown in Table D, mainly consumption of office paper, amounted to 71.4 tons, 95.2 tons, and 129.5 tons, respectively.

Table D: Wastes produced by the Group from 2022 to 2024

			Year ended December 31		
Waste Category	**KPIs**	**Unit**	**2022**	**2023**	**2024**
Solid wastes	Non-hazardous solid waste	Tones	71.4	95.2	129.5
	Hazardous solid waste	Tones	—	—	—
	Total solid waste	**Tones**	**71.4**	**95.2**	**129.5**
	Solid waste density	**Tones/RMB100 million**	**1.0**	**1.3**	**1.2**

Packaging materials usage: The primary packaging materials used in our products include paper, plastic, and metal. From 2022 to 2024, the total volume of packaging materials utilised in product packaging amounted to 297,437.5 tons, 593,359.3 tons, and 728,916.9 tons, respectively.

Social Responsibility

Social responsibility is a core element of our growth strategy, and is essential for enhancing our capability to embrace diversity and advance the public interest while creating sustainable value for shareholders. Our key efforts and achievements in social responsibility include:

Promotion of agricultural development: We are committed to fostering local industry growth and supporting agricultural communities. Through strategic sourcing and procurement, we actively contribute to the growth of China's nut-producing regions by establishing raw material supply bases in key areas, including Yunnan Province, Guangxi Province, Anhui Province, Jiangsu Province, Xinjiang Province, and Northeast China. In 2024, we procured a significant volume of high-quality macadamia nuts from Yunnan Province and Guangxi Province, pine nuts from Northeast China, and walnuts from Xinjiang Province, boosting the domestic nut industry and supporting local farmers. In an effort to build a sustainable supply chain, we established nut collection service stations and processing facilities and implemented an "enterprise + cooperative + farmer" model to ensure stable and fair pricing for local farmers. Additionally, leveraging our robust supply chain and extensive distribution network, we have established the philanthropic brand "Bang Yiba" ("A helping hand") to support farmers by helping distribute surplus agricultural products. By the end of 2024, we successfully facilitated the sale of over 100 tons of high-quality agricultural products, including Xinjiang gray jujubes, Aksu thin-shelled walnuts, and Lüliang red dates, ensuring that high-quality local produce reaches a broader market while helping farmers increase their income.

Supporting rural children through targeted initiatives: We are dedicated to nurturing the aspirations of children in rural areas, ensuring they have access to a brighter future. As part of our initiative to support underprivileged children, we partnered with various organizations to launch the Dream Guardianship for Rural Children campaign. Through this initiative, we have provided nutritious breakfasts and daily necessities to children in underserved regions, ensuring they receive the nourishment and care they need to thrive. Beyond material support, we aim to foster community involvement and public awareness, encouraging collective efforts to uplift rural children. By continuing to expand our reach and deepen our impact, we remain committed to helping these children grow up with hope, opportunities, and the promise of a better future.

Support of education in underserved areas: As part of our commitment to promoting education in rural areas, we visited Jinzhu Ethnic School in Jinzhu She Ethnic Township, Le'an County, Jiangxi Province. During our visit, we learned about the inspiring stories of dedicated rural teachers who have devoted their lives to educating and mentoring local children. By highlighting their perseverance and dedication, we aim to emphasize the transformative power of education in rural communities and encourage more people to support these young students in realizing their potential. On the 16th anniversary of the Wenchuan earthquake in 2008, in 2024, we visited a special education school in Wenchuan to extend our support to children in need. During our visit, we engaged with the children through various social activities and were deeply moved by their unwavering optimism, resilience, and determination to overcome challenges. In partnership with local organizations, we provided essential resources and assistance to improve both their daily lives and educational conditions. This initiative underscores our ongoing commitment to the education and well-being of children with special needs. Through our efforts, we hope to inspire and empower the next generation and help them achieve a brighter future.

ESG-related Risks and Opportunities ESG

Currently, we identify key ESG issues within our business operations, including product quality management, supply chain management, environmental protection, energy management, regulatory compliance, employee compliance and rights, and climate change management. By comprehensively reviewing internal policies, thoroughly analyzing our operating environment, and continuously monitoring government regulations, we have pinpointed several ESG-related risks that could affect our business. We have also outlined the potential impacts of these risks and the corresponding mitigation measures:

Food safety and quality: Potential risk in food safety and quality include fluctuations in product quality during production, raw material consistency, etc. Ensuring the highest standards of food safety and quality is at the core of our business. We strictly comply with national food safety laws and regulations as well as international best practices, and have established a comprehensive quality control system through institutional governance, infrastructure investment, and personnel allocation. Starting from raw material cultivation to production processing and sales distribution, we have formulated a series of quality management procedures and standards, and developed a quality management system to effectively prevent and control quality risks. By maintaining rigorous standards, we safeguard consumer trust and uphold our brand reputation.

Environmental protection and compliance: In response to increasing regulatory scrutiny, resource scarcity, and heightened consumer awareness, managing our environmental footprint has become a business imperative. We are committed to reducing greenhouse gas emissions, optimizing resource utilization, and integrating sustainable practices into our operations. By proactively addressing environmental risks, we enhance our resilience against regulatory changes and evolving market expectations.

Energy consumption and management: With rising energy costs and tightening regulatory requirements, energy efficiency is a priority for our business. We are actively exploring and advancing investments in renewable energy solutions, upgrading production facilities with energy-efficient technologies, and exploring low-carbon alternatives of clean energy. These efforts contribute to both cost savings and our long-term sustainability goals.

Compliance in employment practices: Maintaining fair and compliant labor practices is essential for fostering a stable workforce and safeguarding our reputation. Risks in this area may arise from potential labor law violations, workplace discrimination, inadequate employee benefits, and issues related to employee rights, which could lead to legal disputes, reputational damage, or decreased employee morale. We strictly adhere to labor laws, promote diversity and inclusion, and offer competitive employee benefits to support talent retention and overall well-being. Our commitment to ethical employment standards ensures a productive and harmonious work environment.

Opportunities in clean and green products: With growing global environmental awareness, consumer preferences are shifting towards sustainable and eco-friendly products. This transition presents a significant opportunity for product innovation in the food industry. We are committed to exploring and advancing the development of clean and green products that align with evolving market expectations, leveraging our R&D capabilities to introduce healthier, more sustainable options that resonate with environmentally conscious consumers.

INTELLECTUAL PROPERTIES

As of the Latest Practicable Date, we had registered 31 patents, 22 trademark, 1 domain names, 11 software copyrights and 10 copyrights which were material to our business. Details of our material intellectual property rights are set forth under the section headed "Appendix IV — Statutory and General Information — Further Information about Our Business — Intellectual Property." Specifically, our "Three Squirrels" trademark is protected as a well-known trademark by the National Intellectual Property Administration.

Our legal department is primarily responsible for protecting our intellectual properties. We proactively manage and expand our intellectual property portfolio and monitor the major online platforms for potential infringement of our intellectual property rights. When potential infringement is identified, we take prompt legal or administrative actions. Despite our efforts, we may be subject to risks associated with alleged infringement of third parties' intellectual property rights, or infringement of our intellectual property rights by third parties. See "Risk Factors — Our business depends on our intellectual properties, including our trademarks and trade secrets, which we may not be able to protect against infringement and unauthorized use in counterfeit products."

During the Track Record Period, we did not experience any material infringement of our intellectual property rights. Neither our Group nor any of our intellectual properties was the subject of, or to the best of the Directors' knowledge, is expected to be subject to, any material disputes or litigation in relation to the infringement of any intellectual property rights during the Track Record Period.

PROPERTIES

As of December 31, 2024, we operated our business through 13 owned properties and 67 leased properties in China. We primarily use our owned and leased properties as our stores, factories and office premises.

As of December 31, 2024, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include any valuation report in this Document. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Owned Properties

As of December 31, 2024, we owned 13 properties with a gross floor area of 431,781.6 sq.m. in China. We mainly use these properties as offices and manufacturing.

Leased Properties

As of December 31, 2024, we leased 67 properties with a gross floor area of 410,221.0 sq.m. in China, mainly as our stores, offices, factories and warehouses.

EMPLOYEES

As of December 31, 2024, we had 2,632 full-time employees, and all of our employees were located in China. The following table sets forth a breakdown of our full-time employees by function as of December 31, 2024.

Function	As of December 31, 2024	
	Number	%
Production	990	37.61
Sales and marketing	694	26.37
Technical personnel	139	5.28
Finance	49	1.86
Administrative	738	28.04
Others	22	0.84
Total	**2,632**	**100**

We provide our employees with certain benefits including social insurance coverage and retirement benefits. We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, confidentiality and grounds for termination.

We encourage our employees to participate proactively in the growth and operations of our Group. To this end, we have developed a "Mini-CEO" program where our full-time employees for our core business functions are regarded as mini-CEOs of business units and are given certain latitude and freedom to decide their own performance targets, career development objectives and make decisions regarding their specific business units. We believe that our Mini-CEO program motivates and mobilizes our employees to devote fully to their jobs and encourages them to challenge themselves to take on more responsibilities. For details, see "— Our Evolution — Digitalization and Management Capabilities"

We are dedicated to the development of our employees, striving to build a high-quality and highly capable workforce. To this end, we devote substantial resources and effort towards employee learning and training, ensuring the robust growth of our employees. We have established the "Squirrels University", responsible for coordinating training initiatives across our core business departments and positions, thereby continuously cultivating and delivering talented employees to us.

As of December 31, 2024, we did not have any employee contracted through an employment agent. During the Track Record Period we engaged third party service companies to provide us with certain services in relation to our manufacturing during peak season. We have the right to examine the service company's qualification, efficiency and capabilities. The service companies are responsible for any misconduct, including negligence, by their staff. These staff receive their social insurance and housing provident funds contributions from the service companies that employ them. As confirmed by our PRC Legal Adviser, based on our agreement with such third party service companies, we have no obligation under PRC laws and regulations to pay social insurance and housing provident funds for the staff at the service company, as the service companies, with whom their staff have an employment relationship, are responsible for their social insurance and housing provident funds.

None of our employees is represented by a union or collective bargaining agreements. We believe that we have good employment relationships with our employees. During the Track Record Period, we did not experience any strikes, work stoppages, labor disputes or actions which had a material adverse effect on our business and operations.

INSURANCE

We maintain insurance policies to cover workplace safety liability and public liability. In addition, we have purchased a number of property-related insurance policies covering our facilities, machinery, equipment, inventories and other assets. We review our insurance policies from time to time to assess the adequacy and breadth of coverage. We believe that our existing insurance coverage is adequate for our business operations and is in line with industry standards. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. See "Risk Factors — Risks Relating to our Business Operations — Our insurance coverage may not cover all losses" for details.

During the Track Record Period, we had not made, and were not the subject of, any insurance claims which were material to our business or financial condition.

RISK MANAGEMENT AND INTERNAL CONTROL

Our future operating performance may be affected by risks relating to our business. Some of these risks are specific to us while others relate to economic conditions and the general industry in which we operate. See "Risk Factors" for a discussion of these risks.

The Board of Directors and our senior management are responsible for establishing and maintaining adequate risk management and internal control systems. Risk management is the process designed to identify potential events that may affect us and to manage risks to be within our risk appetite. Internal control is the process designed to provide reasonable assurance regarding achievement of objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Risk Management and Internal Control Policies

We have implemented or will adopt upon **[REDACTED]** a number of policies and measures to manage our risks and set up proper internal controls. These policies cover areas such as (i) the duties and roles of the Directors, the Board and our senior management; (ii) social and environmental matters, including policies on diversity; (iii) financial reporting; (iv) whistleblowing; (v) prevention of market misconduct and (vi) compliance with the Listing Rules.

Under our risk management and internal control policies, the Board oversees risk management and internal control systems on an ongoing basis and reviews the effectiveness of these systems.

In February 2025, we engaged an independent consulting firm to perform a review over our internal control. The key areas of inspection include financial reporting and disclosure, research and development management, management policies over sales, supply chain controls, distributor management, trade receivables and payables management, product safety control, inventory management, intangible assets management, human resource and remuneration management, capital management, tax management, insurance management, contract control and information system control.

Third-party Payment Arrangement

Background

In 2023 and 2024, some of our franchisees (individual or collectively, the "**Third-party Payment Customer(s)**") settled their payments with our certain entities ("**our Third-party Payment Entities**") through the accounts of third parties designated by these Third-party Payment Customers (the "**Third-party Payment Arrangement**"). We are in the process of terminating the Third-party Payment Arrangement, and expect to complete the process by June 15, 2025.

In 2023 and 2024, the number of such franchisees was 53 and 212, respectively, and the aggregate amount of payment from designated third parties to us was RMB46.8 million and RMB268.7 million, respectively, representing approximately 0.7% and 2.5% of our total revenue, respectively. During the Track Record Period, no individual Third-party Payment Customer had made material contribution to our revenue.

Our Directors have confirmed that, to the best of their knowledge, none of the Third-party Payment Customers during the Track Record Period was a connected person of the Company. During the Track Record Period, to the best of our knowledge, the third-party payors designated by the Third-party Payment Customers primarily consisted of their business operators, employees, family members and friends. Our Directors have confirmed that, to the best of their knowledge, none of the designated third-party payors of any Third-party Payment Customers during the Track Record Period is a connected person of the Company.

Our Directors confirm that, during the Track Record Period, (i) we did not proactively initiate any Third-party Payment Arrangement or participated in other forms in any of such arrangement; (ii) we did not provide any discount, commission, rebate or other benefit to any of the Third-party Payment Customers to facilitate or incentivize the Third-party Payment Arrangement; and (iii) the pricing and payment terms of the agreements we entered into with the Third-party Payment Customers were generally in line with franchisees not involved in the Third-party Payment Arrangement.

Reasons for Utilizing Third-party Payment Arrangement

As confirmed by CIC, it is not uncommon for franchisees to settle their corporate transactions through third-party payors, including but not limited to their employees, family members and friends. The Third-party Payment Customers' use of the Third-party Payment Arrangement was primarily due to convenience. Franchisees are typically individual industrial and commercial households. Some of them prefer to have arrangements with third-party payors relating to settlements for their payments, such as using bank accounts of their financial staff or store managers. For convenience, some franchisees also settle their corporate transactions through accounts of their family members and friends.

Termination and Implication of Third-party Payment Arrangement

We are in the process of terminating all Third-party Payment Arrangement. Considering the amount of payment from designated third parties to us as a percentage of our total revenue and the fact that the Third-party Payment Arrangement was typically not made out of necessity, we do not expect the termination of the Third-party Payment Arrangement to have, any material adverse effect on our business, operations, financial results and liquidity on the bases that (i) none of the Third-party Payment Customers ceased to be our franchisees because of the termination of Third-party Payment Arrangement; (ii) we typically require franchisees to settle payments for their products (i.e. our primary revenue source) before we provide the goods to franchisees.

We communicated with Third-party Payment Customers and their designated third-party payors involved in the Third-party Payment Arrangement in 2023 and 2024 and has obtained the majority of confirmations from the Third-party Payment Customers. The confirmations include among others:

(i) the Third-party Payment Customers and their designated third-party payors did not receive any financial aid from us or our former or then Directors, members of senior management, shareholders or their respective associates, or employees. Funds involved in the third-party payment delegation were legal and would not be used for illegal activities such as money laundering or tax evasion;

(ii) the Third-party Payment Customers and their designated third-party payors were not involved in any controversies or disputes arising from the payment arrangement between the Third-party Payment Customers and their designated third-party payors. In addition, they are not subject to any investigation or penalty by any authority in relation to the Third-party Payment Arrangement;

(iii) the Third-party Payment Customers and their designated third-party payors has neither claimed nor will claim any rights and interests regarding payments made to us through the Third-Party Payment Arrangement;

(iv) all settlements with us were backed by genuine business transactions and settlement amounts were consistent with the relevant transaction amounts;

(v) the third-party payment arrangement was a voluntary arrangement between the Third-party Payment Customers and their designated third-party payors. We did not propose any such arrangement and, except for accepting the payments, did not participate in such arrangement in any other way; and

(vi) we are not bound by any rights and obligations relating to the Third-Party Payment Arrangements between the Third-party Payment Customers and their designated third-party payors, and any associated risks are to be borne by the Third-party Payment Customers and their designated third-party payors, not by us.

As confirmed by the Company, (i) the Third-party Payment Arrangement was initiated by the Third-party Payment Customers and was not an arrangement by the Company to circumvent applicable tax laws and regulations or other applicable laws and regulations in China. All the customer payments previously received under the Third-party Payment Arrangement were duly booked according to the accounting procedures and policies, (ii) our Third-party Payment Entities had not been identified for violating any applicable tax laws as a result of the Third-party Payment Arrangement during the Track Record Period, (iii) we only accept payments from the third-party payors by remittance from licensed financial institutions, and thereby ensuring the funding has undergone and satisfied the anti-money laundering requirements implemented by the licensed financial institutions and (iv) our Third-party Payment Entities had not been subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Payment Arrangement as of the Latest Practicable Date.

As advised by our PRC Legal Adviser, (i) the Third-Party Payment Arrangements in China do not violate any mandatory provisions of applicable laws or regulations in China; and (ii) considering that (a) the confirmations have been obtained from majority of the Third-party Payment Customers participating in the Third-Party Payment Arrangement in China during the Track Record Period, and (b) during the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there was no pending lawsuits from any Third-party Payment Customers arising out of the Third-party Payment Arrangement in China, as to the parties who have provided the confirmations mentioned above, the risk that we are found obligated to return the funds is remote.

As advised by our PRC Legal Adviser, the risk that the Company being adjudicated as the crime of money laundering under Article 191 of the Criminal Law of PRC in connection with its acceptance of the Third-Party Payment Arrangement is low based on the following grounds: (i) as confirmed by the Company, transactions settled through Third-Party Payment Arrangements were supported by genuine business dealings, (ii) the above-mentioned confirmations have been obtained from majority of the Third-party Payment Customers participating in the Third-Party Payment Arrangement in China during the Track Record Period; (iii) in compliance with the Anti-Money Laundering Law of PRC, financial institutions implement stringent anti-money laundering prevention and monitoring measures across their customer base; and (iv) as of the Latest Practicable Date, we have not been subject to any criminal liabilities, administrative sanctions, or pending investigations pertaining to the Third-party Payment Arrangements.

Internal Control Measures

We are subject to various risks in relation to the Third-party Payment Arrangement. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We are subject to various risks relating to third-party payment arrangement." We have adopted internal control measures to mitigate related risks and prevent future occurrences of the Third-party Payment Arrangement in March 2025, including but not limited to the following:

- *Information collection*. We require franchisees to provide their bank account information, including account owners' names, ID numbers, cell phone numbers and bank card numbers, for transactions with us in the relevant franchise agreements. When collecting the bank account information, we require all of our existing franchisees to settle payments with us through their own bank accounts.

- *Account verification*. We have implemented a whitelist consisting of only the franchisees' own bank accounts provided in the franchise agreements. In the event a franchisee initiates a payment request, the transaction will be allowed to proceed only if the payor's bank account is included in our whitelist of permitted bank accounts. Otherwise, the transaction request will be rejected.

- *Training*. We regularly provide internal training on third-party payment to our employees and assign dedicated employees to conduct periodic inspections on franchisees to improve their awareness in this regard.

We conduct regular review on the effectiveness of the aforesaid internal control measures and promptly address any abnormalities and malfunctions. Our legal and finance center is responsible for providing detailed review results and reporting the results to the management periodically. Our Directors are of the view that the foregoing internal control measures are effective and adequate in preventing Third-party Payment Arrangement and associated risks, and our Directors will oversee the effectiveness of the aforementioned internal controls on the Third-party Payment Arrangement in the future.

LICENSES, PERMITS AND APPROVALS

We are required to obtain or maintain various licenses, permits and approvals in order to operate our business. We believe we have all material licenses, permits and approvals necessary in order to operate our business. We continually monitor our compliance with these requirements in order to ensure that we have all such approvals, licenses and permits as are necessary to operate our business.

We had not experienced any material difficulties in renewing material licenses, permits or approvals during the Track Record Period and do not expect there to be any material difficulties in renewing them upon their expiry.

LEGAL PROCEEDINGS

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material and adverse effect on our financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, there were no material breaches or violations of laws or regulations applicable to us which are expected to have a material adverse effect on our business, financial condition or results of operations.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with the IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are the largest domestic snack company in China in terms of retail sales value in 2024 and the fastest-growing snack company among the top five companies in terms of CAGR of retail sales value between 2022 and 2024 in the industry, both according to CIC.

Our product portfolio of is targeted towards a variety of consumers, including nuts, baked goods, snack mixes, meat products and dried fruits.

We achieved growth of both our revenue and our profit for the year during the Track Record Period. In 2023 and 2024, our revenue amounted to RMB7,114.6 million and RMB10,622.1 million, representing a year-on-year growth of 49.3%. In 2023 and 2024, our profit for the year amounted to RMB219.8 million and RMB407.5 million, representing a year-on-year growth of 85.4%.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by a number of general factors influencing the overall food and snacks industry. These factors include macroeconomic trends, industry development and competitive landscape in the market. Any adverse development can have a negative impact on our results of operations.

In addition to these general factors, our results of operations are affected by the following specific factors:

Consumers' Demand for Snacks

Our results of operations have been and are expected to be affected by the consumers' demand for snacks.

We generate our revenue primarily from sales of snack foods. Accordingly, our business depends on our deep understanding of evolving consumer preferences. Consumer preferences may shift due to a variety of factors, including changes of dietary habits, pace of life and consumption trends.

We believe that our continuous deep focus on consumers' demand and commitment in offering accessible premium products have facilitated us in attracting and retain a loyal group of consumers and position us as a renowned snack food company in China and is critical to our ability to further grow our business.

Expansion of Product Portfolio and Product Mix

We have continued to expand our product portfolio under the "all-category + omni-channel" strategy. Our present product portfolio primarily includes nuts, baked goods, meat products, dried fruits, snack mixes and others. Under each product category, we sell products with different product unit sizes to satisfy various consumer demands and adapt to different channels. See "Business — Our Brand and Products." Our ability to expand our product portfolio depends on our ability to leverage consumer insights and our research and development efforts. As of December 31, 2024, we offered over 1,000 SPUs. Furthermore, we are continuously developing and launching new SPUs to cater to the latest consumer preferences and different channels. We launched over 600 new SPUs in 2024. Our increasingly diverse product portfolio enables us to respond to changing market conditions and consumer preferences quickly. Expansion of product portfolio also enable us to access to additional consumers and markets, and is critical in growing our revenue. For example, our daily nuts gained wide attraction in the market and fueled our revenue growth during the Track Record Period.

Typically, different products vary in retail prices, raw materials, package formats and sales channels and thus have different gross margins. Each of our products has its own unique positioning with different marketing strategies and promotional costs. We have been optimizing our product mix in an effort to facilitate our revenue growth and to a lesser extent, profitability expansion.

Sales and Distribution Network

We have established a multi-channel sales network, which consists of and (i) online sales channels, including various mainstream e-commerce platforms and short video platforms and (ii) offline sales channels, including offline stores, wholesale customers and distributors.

During the Track Record Period, our revenue from short video platforms amounted to RMB716.5 million, RMB1,407.3 million and RMB2,634.7 million, accounting for 9.8%, 19.8% and 24.8% of our revenue in 2022, 2023 and 2024, respectively, as we increased our promotion efforts on short video platforms to seize more sales opportunities. We also plan to expand our sales to our distributors to also capture consumers offline, as sales to distributors contributed RMB821.1 million, RMB774.8 million and RMB1,479.9 million and accounted for 11.3%, 10.9% and 13.9% of our revenue in 2022, 2023 and 2024, respectively.

Going forward, we expect to capitalize various new opportunities across our sales channels. However, the change in sales channel mix may also lead to change in our profit margin profile.

Cost of Raw Materials

Cost of raw materials, which includes packaging material costs, is the largest component of our cost of sales, accounting for approximately 88.8%, 86.1% and 87.2% of our cost of sales for 2022, 2023 and 2024, respectively. As such, any fluctuations in the prices of raw materials would impact our cost of sales and profitability. Increased raw material costs will reduce our profit margins if we are unable to pass on these additional costs from our customers through higher prices, which can be difficult in view of our "accessible premium products" proposition.

The main raw materials used in our products are nuts such as macadamia, walnuts and pecan. We mostly purchase these ingredients from South Africa, Australia and China. Apart from these key ingredients, we also need packaging materials such as cardboard boxes and shrink wraps to produce our products. The price of most of our raw materials fluctuates according to the market conditions such as harvest and seasonality, transportation costs and regulatory changes. We have not entered into any hedging activities in relation to their prices. However, we monitor the supply and cost trends of these raw materials and have sought to mitigate the impact of price fluctuations to us. For example, we enter into procurement framework agreements when we think the price is low to lock down the price and reduce the impact of ingredient price fluctuations.

Our Ability to Further Increase our Production Capacity and Utilization

Our ability to further increase our production capacity is critical to supporting our stable and continuous business growth, which involves additional costs and uncertainties. In addition, to manage and strengthen our production capacity, we plan to build new production plants, upgrade our existing production equipment, develop more production lines and improve our production process. See "Future Plans and **[REDACTED]**." In all, our revenue and results of operations in the future may rely on our ability to further increase our production capacity to cater for the market demand. See "Business — Production and Manufacturing."

Separately, our eight factories are relatively new as we only began in-house production of our products in 2022. In addition, these factories were designed to accommodate for our future growth. This, together with the ramp-up factor, resulted in a low utilization rate during the Track Record Period. However, as we grew our business, the overall utilization of our factories improved during the Track Record Period. As we continue to ramp up these facilities and improve the overall utilization of our factories, we expect to achieve stronger economies of scale.

Our Operational Efficiency

Our potentials in growth depends on our ability to efficiently manage our operations. Our organization operates with a responsive management structure, built on a foundation of digital integration on one hand and decentralized decision-making on the other. By moving away from traditional hierarchical models, we have established a network of agile business units, each led by a "mini CEO" empowered to make real-time decisions based on market conditions. Our digital tools, such as Cloud Manufacturing ("雲造"), further enhance our ability to streamline supply chain operations and sales management, ensuring that we maintain cost while delivering accessible premium products. See "Business — Our Evolution — Digitalization and Management Capabilities" for more details. Due to these efforts, our administrative expenses amounted to 4.1%, 3.4% and 2.3% of our total revenue in 2022, 2023 and 2024, respectively and our distribution and selling expenses amounted to 21.0%, 17.4% and 17.6% of our total revenue in 2022, 2023 and 2024, respectively.

BASIS OF PRESENTATION

Our financial information during the Track Record Period has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board. Our financial information during the Track Record Period has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value. See note 1 to Appendix I — Accountants' Report.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Note 3 to Appendix I — Accountants' Report to this Document sets forth certain material accounting policies, which are important for understanding our financial condition and results of operations.

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 past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. During the Track Record Period, there was no material deviation between our management's estimates or assumptions and actual results, and we did not make any material changes to these estimates or assumptions. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

RESULTS OF OPERATIONS

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Revenue	**7,293,158**	**100.0%**	**7,114,576**	**100.0%**	**10,622,053**	**100.0%**
Cost of sales	(5,379,964)	(73.8%)	(5,499,887)	(77.3%)	(8,096,410)	(76.2%)
Gross profit	**1,913,194**	**26.2%**	**1,614,689**	**22.7%**	**2,525,643**	**23.8%**
Other income	162,400	2.2%	207,326	2.9%	157,540	1.5%
Other gains and losses, net	11,584	0.2%	2,041	—	3,638	—
Impairment losses (recognised)/ reversed under expected credit loss ("ECL") model, net	(4,150)	0.1%	5,063	0.1%	(1,614)	(—)
Distribution and selling expenses	(1,532,842)	(21.0%)	(1,237,517)	(17.4%)	(1,867,665)	(17.6%)
Administrative expenses	(298,882)	(4.1%)	(243,385)	(3.4%)	(244,283)	(2.3%)
Research and development costs	(38,439)	(0.5%)	(24,919)	(0.4%)	(28,390)	(0.3%)
Finance costs	(13,494)	(0.2%)	(10,071)	(0.1%)	(9,317)	(—)
Share of results of associates	1,121	—	409	—	1,817	—
Profit before taxation	**200,492**	**2.7%**	**313,636**	**4.4%**	**537,369**	**5.1%**
Income tax expense	(71,092)	(1.0%)	(93,847)	(1.3%)	(129,896)	(1.2%)
Profit for the year	**129,400**	**1.8%**	**219,789**	**3.1%**	**407,473**	**3.8%**
Profit/(loss) attributable to:						
— Owners of the Company	129,400	1.8%	219,789	3.1%	407,736	3.8%
— Non-controlling interests	—	—	—	—	(263)	(—)

NON-IFRS MEASURE

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted profit for the year (a non-IFRS measure) and adjusted net margin (a non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impact of certain items. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated financial statements in the same manner as they help our management. However, our presentation of adjusted profit for the year (a non-IFRS measure) and adjusted net margin (a non-IFRS measure) may not be comparable to similar item measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our consolidated financial statements or financial condition as reported under IFRS. We define adjusted profit for the year (a non-IFRS measure) as profit for the year adjusted for share-based compensations (a non-cash item). We define adjusted net margin (a non-IFRS measure) as adjusted profit for the year (a non-IFRS measure) as a percentage of our total revenue.

	2022	**2023**	**2024**
	(in thousands, except for percentages)		
Profit for the year/period	**129,400**	**219,789**	**407,473**
Add:			
Share-based compensation	56,977	44,671	35,816
Adjusted profit/(loss) for the year/ period (a non-IFRS measure)	**186,377**	**264,460**	**443,289**
Adjusted net margin (a non-IFRS measure)	**2.6%**	**3.7%**	**4.2%**

In 2024, we recorded an adjusted profit for the period (a non-IFRS measure) of RMB443.3 million and an adjusted net margin (a non-IFRS measure) of 4.2%, as compared with an adjusted profit for the year (a non-IFRS measure) of RMB264.5 million and an adjusted net margin (a non-IFRS measure) of 3.7% in 2023, primarily due to growth in our sales of nuts and snack mixes.

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we mainly generated revenue from sales of a variety of food snacks, comprising nuts, baked goods, meat products, snack mixes and dried fruits.

By product category

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Nuts	4,107,308	56.3%	3,812,385	53.6%	5,366,197	50.5%
Baked goods	1,134,470	15.6%	1,085,802	15.3%	1,501,191	14.1%
Snack mixes	872,663	12.0%	1,090,114	15.3%	2,017,415	19.0%
Meat products	696,340	9.5%	599,793	8.4%	960,785	9.1%
Dried fruits	338,086	4.6%	349,867	4.9%	582,486	5.5%
Others(1)	144,391	2.0%	176,615	2.5%	193,979	1.8%
Total	**7,293,158**	**100%**	**7,114,576**	**100%**	**10,622,053**	**100%**

Note:

(1) Others primarily include sales of raw materials for nuts snacks and licensing fees.

During the Track Record Period, nuts accounted for a majority of our total revenue, and we expect this to continue to be a major contributor to our total revenue going forward. However, as we further penetrate into various other food snacks to capture the significant growth opportunities from snack mixes, meat products and dried fruits, we expect revenue from these products to grow in absolute terms and as a percentage of our total revenue.

By sales channel

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in RMB thousands, except for percentages)					
E-commerce platforms — consumers	4,071,920	55.8%	3,543,964	49.8%	4,392,040	41.3%
E-commerce platforms — wholesale	375,872	5.2%	299,638	4.2%	380,124	3.6%
Short video platforms	716,538	9.8%	1,407,281	19.8%	2,634,742	24.8%
Offline stores	944,357	12.9%	358,442	5.0%	403,696	3.8%
Offline distributors	821,085	11.3%	774,765	10.9%	1,479,863	13.9%
Wholesale customers	277,304	3.8%	566,584	8.0%	1,161,013	10.9%
Other channels	86,081	1.2%	163,902	2.3%	170,575	1.6%
Total	**7,293,158**	**100.0%**	**7,114,576**	**100.0%**	**10,622,053**	**100.0%**

In the online sector, we pivoted from e-commerce platforms to short video platforms in 2023 as we began to explore the significant potential of short video platforms as a sales channel. As such, our revenue from short video platforms continued to rise in both absolute terms and as a percentage of our total revenue. In the offline sector, while we reduced our offline stores during the Track Record Period as we shifted our focus to capitalize the online opportunities, our revenue from distributors have increased during the Track Record Period because we started to engage regional distributors to expand our business and sales channels.

Sales Volume and Average Selling Price

	2022		2023		2024	
	Sales volume	Average selling price(2)	Sales volume	Average selling price	Sales volume	Average selling price
	(tons)	(RMB)	(tons)	(RMB)	(tons)	(RMB)
Nuts	82,592	49,730	79,027	48,241	122,681	43,741
Baked goods	37,115	30,564	40,735	26,655	67,224	22,331
Snack mixes	29,119	29,969	34,371	31,716	69,771	28,915
Meat products	9,797	71,074	9,582	62,594	17,890	53,705
Dried fruits	7,432	45,490	9,519	36,755	18,330	31,779
Others(1)	N/A	N/A	N/A	N/A	N/A	N/A
Total/Overall(2)	**166,055**	**43,920**	**173,234**	**41,069**	**295,896**	**35,898**

Notes:

(1) Others include sales of raw materials for nuts snacks and due to the mix of various raw materials sold, sales volume by unit cannot be readily calculated, along with the average selling price.

(2) The overall average selling price is calculated by dividing the total revenue for each year by the total sales volume as stated in the table above, excluding others.

During the Track Record Period, our average selling price continued to decrease across the board. This is primarily attributable to our pricing strategy under our "accessible premium products" strategy started in 2023. The successful execution of our "accessible premium products" strategy, together with our "all-category + omni-channel" approach led to an increase in sales volume of our products during the Track Record Period.

Cost of Sales

Our cost of sales primarily consists of raw materials, including packaging materials costs, labor costs, manufacturing costs, transportation costs and others which primarily include taxes, surcharges and inventory write-downs.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Raw materials costs	4,778,338	88.8%	4,734,119	86.1%	7,059,314	87.2%
Transportation costs	336,706	6.3%	453,449	8.2%	687,967	8.5%
Manufacturing costs	123,986	2.3%	115,253	2.1%	139,270	1.7%
Labor costs	33,615	0.6%	30,108	0.5%	41,807	0.5%
Others	107,319	2.0%	166,958	3.0%	168,052	2.1%
Total	**5,379,964**	**100%**	**5,499,887**	**100%**	**8,096,410**	**100%**

Gross Profit and Gross Profit Margin

By product category

	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(in RMB thousands, except for percentages)					
Nuts	1,067,691	26.0%	879,076	23.1%	1,286,766	24.0%
Baked goods	280,894	24.8%	218,815	20.2%	318,552	21.2%
Snack mixes	288,488	33.1%	319,345	29.3%	584,506	29.0%
Meat products	159,027	22.8%	113,202	18.9%	196,061	20.4%
Dried fruits	80,023	23.7%	74,594	21.3%	113,832	19.5%
Others	37,071	25.7%	9,657	5.5%	25,926	13.4%
Total/Overall	**1,913,194**	**26.2%**	**1,614,689**	**22.7%**	**2,525,643**	**23.8%**

By sales channel

	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(in RMB thousands, except for percentages)					
E-commerce platforms — consumers	1,072,664	26.3%	735,478	20.8%	953,813	21.7%
E-commerce platforms — wholesale	92,800	24.7%	60,246	20.1%	81,477	21.4%
Short video platforms	219,290	30.6%	444,820	31.6%	820,181	31.1%
Offline stores	273,006	28.9%	80,867	22.6%	39,764	9.9%
Offline distributors	179,611	21.9%	166,413	21.5%	285,301	19.3%
Wholesale customers	39,269	14.2%	94,332	16.6%	291,667	25.1%
Other channels	36,555	42.5%	32,532	19.8%	53,442	31.3%
Total	**1,913,194**	**26.2%**	**1,614,689**	**22.7%**	**2,525,643**	**23.8%**

Other Income

Our other income during the Track Record Period primarily consisted of (i) government grants, (ii) interest income, (iii) supplier quality compensation and (iv) others, which mainly include interest income from our prepayments to suppliers. There were no unfulfilled conditions or contingencies relating to these government subsidies.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Government grants	94,556	58.2%	133,991	64.6%	81,820	51.9%
Interest income						
Time deposits	50,731	31.2%	48,005	23.2%	38,442	24.4%
Bank deposits	2,215	1.4%	2,900	1.4%	2,684	1.7%
Others	283	0.2%	48	—	3,177	2.0%
Supplier quality compensation	10,481	6.5%	14,296	6.9%	29,410	18.7%
Others	4,134	2.6%	8,086	3.9%	2,007	1.3%
Total	**162,400**	**100%**	**207,326**	**100%**	**157,540**	**100%**
as % of total revenue		*2.2%*		*2.9%*		*1.5%*

Distribution and Selling Expenses

Our selling expenses primarily include (i) promotion and platform service fees, (ii) employee compensation, (iii) labor outsourcing, (iv) depreciation and amortization, (v) short-term leases and property management fee, (vi) renovation expenses, (vii) office expenses, (viii) warehousing expenses, (ix) customer experiences expenses and (x) others which primarily include share-based compensations.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Promotion and platform service fees	979,080	63.9%	777,670	62.8%	1,224,145	65.5%
Employee compensation	231,102	15.1%	184,461	14.9%	229,345	12.3%
Labor outsourcing	90,622	5.9%	89,149	7.2%	146,971	7.9%
Depreciation and amortization	112,566	7.3%	43,153	3.5%	56,889	3.0%
Short-term leases and property management fee	50,284	3.3%	27,968	2.3%	44,449	2.4%
Office expenses	13,312	0.9%	18,582	1.5%	13,975	0.7%
Warehousing expenses	6,120	0.4%	32,563	2.6%	59,143	3.2%
Customers experience expenses	4,902	0.3%	2,441	0.2%	4,489	0.2%
Others	44,854	2.9%	61,530	5.0%	88,259	4.7%
Total	**1,532,842**	**100%**	**1,237,517**	**100%**	**1,867,665**	**100%**
as % of total revenue		*21.0%*		*17.4%*		*17.6%*

Administrative Expenses

Our administrative expenses primarily include (i) employee compensation, (ii) share-based payments, (iii) depreciation and amortization, (iv) office and utility expenses and (v) others, which primarily include environmental expenses and vehicle expenses.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Employee compensation	147,358	49.3%	103,180	42.4%	97,981	40.1%
Share-based payments	38,745	13.0%	33,745	13.9%	22,942	9.4%
Depreciation and amortization	24,019	8.0%	17,672	7.3%	18,086	7.4%
Loss on inventory shrinkage and scrapping	14,082	4.7%	16,120	6.6%	11,509	4.7%
Taxes and surcharges (excluding urban construction tax and education surcharge)	21,747	7.3%	23,505	9.7%	34,486	14.1%
Agency expenses	13,337	4.5%	9,864	4.1%	14,392	5.9%
Office and utility expenses	4,859	1.6%	5,605	2.3%	7,614	3.1%
Travel expenses	1,892	0.6%	3,460	1.4%	5,627	2.3%
Others	32,843	11.0%	30,234	12.4%	31,646	13.0%
Total	**298,882**	**100%**	**243,385**	**100%**	**244,283**	**100%**
as % of total revenue		*4.1%*		*3.4%*		*2.3%*

Research and Development Expenses

Our research and development expenses primarily include (i) employee compensation, (ii) depreciation and amortization, (iii) commissioned development services, (iv) share-based payments, (v) and others. The table below sets forth the breakdown of our research and development expenses for the periods indicated.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Employee compensation	30,133	78.4%	22,556	90.5%	23,413	82.5%
Commissioned development services	1,907	5.0%	530	2.1%	2,361	8.3%
Depreciation and amortization	2,348	6.1%	731	2.9%	411	1.4%
Others	4,051	10.5%	1,102	4.5%	2,205	7.8%
Total	**38,439**	**100%**	**24,919**	**100%**	**28,390**	**100%**
as % of total revenue		*0.5%*		*0.4%*		*0.3%*

Finance Costs

Our finance costs include interest on bank loans and other borrowings and interest on lease liabilities.

	2022		2023		2024	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
Interest on bank loans and other borrowings	6,301	46.7%	6,114	60.7%	5,662	60.8%
Interest on lease liabilities	7,193	53.3%	3,957	39.3%	3,655	39.2%
Total	**13,494**	**100%**	**10,071**	**100%**	**9,317**	**100%**
as % of total revenue		*0.2%*		*0.1%*		*0.1%*

Other Gains and Losses

Our other gains and losses primarily represent (i) loss or gain on disposal of property, plant and equipment, (ii) loss or gain on termination of right-of-use assets, (iii) fair value change on financial assets at FVTPL and (iv) net foreign exchange loss.

In 2022, 2023 and 2024, our other gains and losses amounted to gains of RMB11.6 million, gains of RMB2.0 million and gains of RMB3.6 million, representing less than 0.2% of our total revenue in each of the respective periods.

Impairment Losses under Expected Credit Loss Model, Net

Our impairment losses under expected credit loss model, net of reversal represents our net impairment losses recognized/reversed on trade receivables and other receivables.

In 2022, 2023 and 2024, our impairment losses recognized/reversed under expected credit loss model, net of reversal amounted RMB4.2 million recognized, RMB5.1 million reversed and RMB1.6 million recognized, representing less than 0.1% of our total revenue in each of the respective periods.

Share of Results of Associates

Our share of results of associates reflects our investment in associates and the corresponding share of results of these associates.

In 2022, 2023 and 2024, our share of results of associates amounted to gain of RMB1.1 million, gain of RMB0.4 million and gain of RMB1.8 million, representing less than 0.1% of our total revenue in each of the respective periods.

Income Tax Expense

We are subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which the members of our Group are domiciled and operate. Our income tax expense comprises current tax and deferred tax.

The Company and several of our subsidiaries were accredited as "High New Tech Enterprise" during the Track Record Period and were therefore entitled to a preferential income tax rate of 15% for certain years during the Track Record Period. in addition, several of our subsidiaries were eligible as "Small Low-profit Enterprise" and were subject to preferential tax treatments. For details, see note 10 to Appendix I — Accountants' Report.

As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

YEAR-ON-YEAR COMPARISON OF RESULTS OF OPERATIONS

2024 Compared to 2023

Revenue

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Revenue	7,114,576	10,622,053	49.3%

Our revenue increased by 49.3% from RMB7,114.6 million in 2023 to RMB10,622.1 million in 2024 primarily due to increased sales across our entire product portfolio, most notably increased sales in nuts and baked goods, which was in turn due to (i) new product launches and (ii) successful execution of our "D+N" model whereby we leverage short video platforms as a spearhead to penetrate all channels. In particular, our revenue from short video platforms increased by 87.2% from RMB1,407.3 million in 2023 to RMB2,634.7 million in 2024 and our revenue from e-commerce platforms also rebounded and increased by 24.2% from RMB3,843.6 million in 2023 to consumer- and wholesale-oriented e-commerce platforms of RMB4,772.2 million in 2024.

Cost of Sales

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Cost of sales	5,499,887	8,096,410	47.2%
as % of total revenue	*77.3%*	*76.2%*	

Our cost of sales increased by 47.2% from RMB5,499.9 million in 2023 to RMB8,096.4 million in 2024 primarily due to an increase in our raw material costs as our sales volume increased.

Gross Profit and Gross Profit Margin

	2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(in RMB thousands, except for percentages)			
Gross profit/margin	1,614,689	22.7%	2,525,643	23.8%

As a result of the foregoing, our gross profit increased by 56.4% from RMB1,614.7 million in 2023 to RMB2,525.6 million in 2024. Our gross profit margin increased from 22.7% in 2023 to 23.8% in 2024, as we continued to enhance our supply chain capabilities by establishing centralized supply chain bases across China and sourcing raw materials directly from their places of origins, partially offset by a decrease in our average selling prices across our product portfolio as we priced more competitively to gain more market position.

Other Income

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Other income	207,326	157,540	(24.0%)
as % of total revenue	*2.9%*	*1.5%*	

Our other income decreased by 24.0% from RMB207.3 million in 2023 to RMB157.5 million in 2024, primarily due to local government's shift in fiscal policy which led to a decrease in our government grants. For the same reason, our other income as a percentage of our total revenue decreased from 2.9% in 2023 to 1.5% in 2024.

Distribution and Selling Expenses

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Distribution and selling Expenses	1,237,517	1,867,665	50.9%
as % of total revenue	*17.4%*	*17.6%*	

Our selling expenses increased by 50.9% from RMB1,237.5 million in 2023 to RMB1,867.7 million in 2024, mainly reflecting our increased spending in promotion and platform service fees as we further our "D+N" model and increase our spending on short video platforms to drive our growth across all channels. Our selling expenses as a percentage of our total revenue remained stable at 17.4% in 2023 and 17.6% in 2024.

Administrative Expenses

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Administrative Expenses	243,385	244,283	0.4%
as % of total revenue	*3.4%*	*2.3%*	

Our administrative expenses slightly increased by 0.4% from RMB243.4 million in 2023 to RMB244.3 million in 2024, despite a high growth rate in revenue, as we adjusted our expense structures and optimized the scale of backend personnel. Our administrative expenses as a percentage of our total revenue decreased from 3.4% in 2023 to 2.3% in 2024 primarily due to improved economies of scale.

Research and Development Expenses

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Research and Development Expenses	24,919	28,390	13.9%
as % of total revenue	*0.4%*	*0.3%*	

Our research and development expenses increased by 13.9% from RMB24.9 million in 2023 to RMB28.4 million in 2024, as we launched more new products in 2024 as part of our omni-channel core strategy, which drove up our research and development expenses. Our research and development expenses remained stable at 0.4% in 2023 and 0.3% in 2024.

Finance Costs

	2023	2024	% change
	(in RMB thousands, except for percentages)		
Finance Costs	10,071	9,317	(7.5%)
as % of total revenue	*0.1%*	*0.1%*	

Our finance costs decreased by 7.5% from RMB10.1 million in 2023 to RMB9.3 million in 2024, primarily because of a decrease in interest on bank loans and other borrowings as we repaid certain loans as part of our effort to optimize our capital structure.

Other Gains and Losses

Our other gains and losses increased by 78.2% from RMB2.0 million in 2023 to RMB3.6 million in 2024, primarily due to gains from disposal of certain property, plant and equipment.

Impairment Losses under Expected Credit Loss Model, Net

Our impairment losses under expected credit loss model, net of reversal shifted from RMB5.1 million reversed in 2023 to RMB1.6 million loss recognized in 2024, primarily due to impairment loss recognized for certain trade receivables in relation to our sales on online channels.

Income Tax Expense

Our income tax expense increased by 38.4% from RMB93.8 million in 2023 to RMB129.9 million in 2024, primarily due to overall increase in profit before taxation. Our effective tax rate, being the income tax expense as a percentage of our total profit before tax, decreased from 29.9% in 2023 to 24.2% in 2024 primarily due to the amount credit to deferred tax assets and change in preferential tax rate applicable to our new subsidiaries in 2020.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 85.4% from RMB219.8 million in 2023 to RMB407.5 million in 2024.

2023 Compared to 2022

Revenue

	2022	2023	% change
	(in RMB thousands, except for percentages)		
Revenue	7,293,158	7,114,576	(2.4%)

Our revenue decreased by 2.5% from RMB7,293.2 million in 2022 to RMB7,114.6 million in 2023. As we strategically pivoted to sales through short video platforms, we strengthened our sales and marketing efforts on this channel and therefore recorded a revenue growth of 96.4% in this channel from RMB716.5 million in 2022 to RMB1,407.3 million in 2023. However, such growth was offset by a 22.2% decrease in sales through or to consumer-oriented e-commerce platforms and offline stores from RMB5,016.3 million in 2022 to RMB3,902.4 million in 2023. On the other hand, revenue from snack mixes increased by 24.9% from RMB872.7 million in 2022 to RMB1,090.1 million in 2023, due to the growing popularity of our Deer Blue branded products.

Cost of Sales

	2022	2023	% change
	(in RMB thousands, except for percentages)		
Cost of sales	5,379,964	5,499,887	2.2%
as % of total revenue	*73.8%*	*77.3%*	

Our cost of sales increased by 2.2% from RMB5,380.0 million in 2022 to RMB5,499.9 million in 2023 despite a decrease in our revenue, primarily due to a 34.7% increase in our transportation costs as we readjusted our warehousing and transportation logistics in 2023.

Gross Profit and Gross Profit Margin

	2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(in RMB thousands, except for percentages)			
Gross profit/margin	1,913,194	26.2%	1,614,689	22.7%

As a result of the foregoing, our gross profit decreased by 15.6% from RMB1,913.2 million in 2022 to RMB1,614.7 million in 2023.

Our gross profit margin decreased from 26.2% in 2022 to 22.7% in 2023 due to an increase in transportation costs as we strategically readjusted our warehousing and transportation planning in 2023 and closed down a number of warehouses, which resulted in longer transportation distance for deliveries of our products. As we stayed committed to our strategy of "accessible premium products", we did not pass on those costs to our consumers. The decrease in our gross profit margin was partially offset by rapid growth of new products offered under Deer Blue with higher gross profit margin.

Other Income

	2022	**2023**	**% change**
	(in RMB thousands, except for percentages)		
Other income	162,400	207,326	27.7%
as % of total revenue	*2.2%*	*2.9%*	

Our other income increased by 27.7% from RMB162.4 million in 2022 to RMB207.3 million in 2023, and, as a percentage of our total revenue, our other income increased from 2.2% in 2022 to 2.9% in 2023, primarily due to an increase in government grants. As a result, our other income as a percentage of our total revenue increased from 2.2% in 2022 to 2.9% in 2023.

Distribution and Selling Expenses

	2022	**2023**	**% change**
	(in RMB thousands, except for percentages)		
Distribution and selling Expenses	1,532,842	1,237,517	(19.3%)
as % of total revenue	*21.0%*	*17.4%*	

Our distribution and selling expenses decreased by 19.3% from RMB1,532.8 million in 2022 to RMB1,237.5 million in 2023, primarily due to (i) the decrease in our promotion and platform service fees where we dialed back our spending in e-commerce platforms, networks and other traditional media platforms, (ii) the decrease in self-owned stores-related logistics and transportation costs as we closed down a number of them and (iii) the decrease in employee compensations as our personnel engaged in distribution and selling activities decreased, which was part of our efforts in optimizing our organization structure. These also led to a decrease in our distribution and selling expenses as a percentage of our total revenue from 21.0% in 2022 to 17.4% in 2023.

Administrative Expenses

	2022	2023	% change
	(in RMB thousands, except for percentages)		
Administrative Expenses	298,882	243,385	(18.6%)
as % of total revenue	*4.1%*	*3.4%*	

Our administrative expenses decreased by 18.6% from RMB298.9 million in 2022 to RMB243.4 million in 2023, primarily due to (i) a decrease in employee compensation and share-based payments as our personnel engaged in distribution and selling activities decreased, which is part of our efforts in optimizing our organization structure, and (ii) a decrease in depreciation and amortization. As a result, our administrative expenses as a percentage of our total revenue decreased from 4.1% in 2022 to 3.4% in 2023.

Research and Development Expenses

	2022	2023	% change
	(in RMB thousands, except for percentages)		
Research and Development Expenses	38,439	24,919	(35.2%)
as % of total revenue	*0.5%*	*0.4%*	

Our research and development expenses decreased by 35.2% from RMB38.4 million in 2022 to RMB24.9 million in 2023, primarily due to (i) a decrease in employee compensation and (ii) a decrease in depreciation costs as we stopped leasing our R&D office in Nanjing, China as part of overall strategic refocusing. Our research and development expenses as a percentage of our total revenue remained stable at 0.5% in 2022 and 0.4% in 2023.

Finance Costs

	2022	2023	% change
	(in RMB thousands, except for percentages)		
Finance Costs	13,494	10,071	(25.4%)
as % of total revenue	*0.2%*	*0.1%*	

Our finance costs decreased by 25.4% from RMB13.5 million in 2022 to RMB10.1 million in 2023, primarily due to decrease in our interest expenses as a result of lower interest on both borrowings and lease liabilities. Our finance costs as a percentage of our total revenue decreased from 0.2% in 2022 to 0.1% in 2023 due to the same reason.

Other Gains and Losses

Our other gains and losses decreased from gains of RMB11.6 million in 2022 to gains of RMB2.0 million in 2023, primarily due to a decrease in gains on early termination of right-of-use assets.

Impairment Losses under Expected Credit Loss Model, Net

Our impairment losses under expected credit loss model, net of reversal changed from losses recognized of RMB4.2 million in 2022 to losses reversed of RMB5.1 million in 2023, primarily because of recovery of previously impaired receivables.

Income Tax Expense

Our income tax expense increased by 32.0% from RMB71.1 million in 2022 to RMB93.8 million in 2023, primarily due to higher profit before taxation and shift of effect of tax concessionary rates granted to the subsidiaries. Our effective tax rate, being the income tax expense as a percentage of our total profit before tax increased, from 35.5% in 2022 to 29.9% in 2023 primarily due to the amount credit to deferred tax assets and change in our preferential tax rate applicable to our new subsidiaries.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through a combination of cash generated from operations and borrowings. As of December 31, 2024 and February 28, 2025, we had cash and cash equivalents of RMB800.9 million and RMB588.4 million, respectively.

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operations and net **[REDACTED]** from the **[REDACTED]**. As of February 28, 2025, we had bank loan facilities of RMB250 million, of which RMB150 million remained unutilized.

Taking into account the net **[REDACTED]** from the **[REDACTED]** and cash generated from operations, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this Document.

Net Current Assets/Liabilities

The table below sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of February 28,
	2022	2023	2024	2025
	RMB'000			
Current assets				
Inventories	1,071,018	1,387,640	2,083,456	787,105
Trade and other receivables, deposits and prepayments	669,859	1,008,497	1,101,169	1,140,218
Income tax recoverable	41,451	195	8,427	5,732
Financial assets at fair value through profit or loss ("FVTPL")	20,243	19,629	—	50,300
Other financial assets	—	170,048	11,407	11,407
Time deposits	1,364,983	1,445,785	1,230,464	958,749
Restricted bank balances	10,039	13,117	12,328	10,258
Cash and cash equivalents	139,443	282,439	800,926	588,399
Total current assets	**3,317,036**	**4,327,350**	**5,248,177**	**3,552,168**
Current liabilities				
Trade and other payables	1,471,125	2,050,012	2,921,680	1,414,096
Contract liabilities	260,781	295,416	348,390	31,458
Refund liabilities	2,545	3,055	5,767	5,753
Income tax payable	25,895	42,959	43,996	106,976
Borrowings	50,672	354,652	434,510	231,750
Lease liabilities	34,754	14,175	27,555	18,481
Total current liabilities	**1,845,772**	**2,760,269**	**3,781,898**	**1,808,514**
Net current assets	**1,471,264**	**1,567,081**	**1,466,279**	**1,743,654**

Comparison between February 28, 2025 and December 31, 2024

Our net current assets increased from RMB1,466.3 million as of December 31, 2024 to RMB1,743.7 million as of February 28, 2025, primarily due to a decrease in trade and other payables, partially offset by a decrease in inventories and an increase in income tax payable.

Comparison between December 31, 2024 and December 31, 2023

Our net current assets decreased from RMB1,567.1 million as of December 31, 2023 to RMB1,466.3 million as of December 31, 2024, primarily due to an increase in borrowings and trade and other payables and a decrease in other financial assets and time deposits, partially offset by an increase in cash and cash equivalents and inventories.

Comparison between December 31, 2023 and December 31, 2022

Our net current assets increased from RMB1,471.3 million as of December 31, 2022 to RMB1,567.1 million as of December 31, 2023, primarily due to an increase in inventories and trade and other receivables, deposits and prepayments and a decrease in lease liabilities, partially offset by a decrease in income tax recoverable and an increase in borrowings and trade and other payables.

SELECTED BALANCE SHEET ITEMS

Inventories

Our inventories include raw materials and consumables and finished goods. The table below sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Raw material and consumables	308,041	338,688	591,825
Finished goods	762,977	1,048,952	1,491,631
Total	**1,071,018**	**1,387,640**	**2,083,456**

Our inventories increased by 29.6% from RMB1,071.0 million as of December 31, 2022 to RMB1,387.6 million as of December 31, 2023, and further increased by 50.1% to RMB2,083.5 million as of December 31, 2024 as we expanded our business.

Turnover days

The table below sets forth the turnover days of our inventories for the periods indicated. Our inventory turnover days for each period equals the average of the beginning and ending balances of inventories for that period divided by cost of sales for that period and multiplied by the number of days in that period.

	2022	2023	2024
Inventory turnover days	93.0	81.6	78.2

Our inventory turnover days decreased from 93.0 days in 2022 to 81.6 days in 2023, and further decreased to 78.2 days in 2024, as we tightened our inventory management.

Subsequent utilization

As of February 28, 2025, 69.5% of our total inventories as of December 31, 2024, or RMB1,461.0 million, were utilized or sold.

Trade Receivables

Our trade receivables primarily arise from sales of our products on credit. We usually grant credit periods ranging between one month to three months to our major customers.

The table below sets forth the breakdown of our trade receivables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Trade receivables	397,111	597,696	563,704
Less: allowance for credit losses	(2,946)	(3,653)	(3,686)
Total	**394,165**	**594,043**	**560,018**

Our trade receivables increased by 50.7% from RMB394.2 million as of December 31, 2022 to RMB594.0 million as of December 31, 2023, primarily due to extended credit terms on e-commerce platforms. Our trade and other receivables decreased by 5.7% to RMB560.0 million as of December 31, 2024, as a result of the strong growth in our offline channels and an increasing portion of our products were sold to our offline distributors that were required to make full payment at or before the delivery of our products.

Aging analysis

The table below sets forth an aging analysis of our trade receivables, net of allowance for credit losses as of the dates indicated.

	As of December 31,		
	2022	**2023**	**2024**
	(in RMB thousands)		
0–90 days	390,854	575,915	515,780
90–365 days	3,059	18,128	42,942
366–730 days	250	—	1,296
Over 761 days	2	—	—
Total	**394,165**	**594,043**	**560,018**

Turnover days

The table below sets forth the turnover days of our trade receivables for the periods indicated. Trade receivable turnover days for each period equals the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by the number of days in that period.

	2022	**2023**	**2024**
Trade receivable turnover days	14.7	25.3	19.8

Our trade receivable turnover days increased from 14.7 days in 2022 to 25.3 days in 2023, as we expanded our online sales channels and an increase in revenue contribution from online platforms who enjoyed an extended credit period. Our trade receivable turnover days decreased to 19.8 days in 2024 primarily due to a larger revenue contribution from our offline distributors, most of whom were required to make full payment before the delivery of our products.

Subsequent settlement

As of February 28, 2025, 83.0% of our total trade receivables as of December 31, 2024, or RMB464.8 million, were settled.

Other Receivables, Prepayments and Deposits

Our other receivables, prepayments and deposits primarily include various costs on a prepaid basis, various deposits in the ordinary course of our business and other miscellaneous prepayments.

The table below sets forth the breakdown of our other receivables, deposits and prepayments as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Prepayments to suppliers	80,979	116,541	213,108
Prepayments for long-lives assets	57,140	43,302	92,888
Prepayment paid for acquisitions of investments/ businesses	—	—	80,000
Receivables from payment platforms	21,754	32,169	53,041
Other receivables and deposits	21,831	17,504	42,300
Other taxes recoverable	151,130	247,440	232,702
Dividend receivables from an associate	—	800	—
Total	**332,834**	**457,756**	**714,039**

Our other receivables, prepayments and deposits increased by 37.5% from RMB332.8 million as of December 31, 2022 to RMB457.8 million as of December 31, 2023, as a result of an increase in other tax recoverable due to higher recoverable from our VAT. Our other receivables, prepayments and deposits further increased by 56.0% to RMB714.0 million as of December 31, 2024, primarily because of an increase in prepayments to suppliers in line with our business expansion and prepayments paid for acquisitions of interests in Aizhekou and Ailingshi.

Trade and Other Payables

Our trade and other payables primarily include trade payables to our suppliers and other payables occurred in the ordinary course of our business. Our suppliers usually grant us a credit periods between 30 to 60 days to settle our purchases of goods or services.

The table below sets forth the breakdown of our trade and other payables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Trade payables	1,063,465	1,548,469	2,096,659
Payroll payables	67,909	82,151	100,277
Deposits received	76,032	76,922	94,089
Advertising cost payables	33,970	60,362	173,120
Transportation cost payables	87,188	132,318	193,424
Labor outsourcing payables	72,848	61,372	81,813
Other tax payables	40,621	54,001	100,082
Dividend payable	—	—	50,091
Other payables and accruals	29,092	34,417	32,125
Total	**1,471,125**	**2,050,012**	**2,921,680**

Our trade and other payables increased by 39.3% from RMB1,471.1 million as of December 31, 2022 to RMB2,050.0 million as of December 31, 2023, as a result of increased purchases in 2023 as we expanded our business. Our trade and other payables further increased by 42.5% to RMB2,921.7 million as of December 31, 2024, primarily due to increased purchases near 2024 year end to prepare for the early Chinese New Year in 2025 and increased advertising spending to further promote our brand.

Aging analysis

The table below sets forth an aging analysis of our trade payables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
0–365 days	1,060,987	1,527,624	2,071,889
Over 365 days	2,478	20,845	24,770
Total	**1,063,465**	**1,548,469**	**2,096,659**

Turnover days

The table below sets forth the turnover days of our trade payables for the periods indicated. Trade payable turnover days for each period equals the average of the beginning and ending balances of trade and other payables for that period divided by cost of sales for that period and multiplied by the number of days in that period.

	2022	2023	2024
Trade payable turnover days	80.5	86.7	82.2

Our trade payable turnover days remained stable throughout the Track Record Period at 80.5 days, 86.7 days and 82.2 days in 2022, 2023 and 2024, respectively.

Subsequent settlement

As of February 28, 2025, 93.4% of our total trade payables as of December 31, 2024, or RMB1,958.3 million, were settled.

Contract Liabilities

Our other contract liabilities primarily represent advance payments received for goods sold and advance licensing fees.

The table below sets forth the breakdown of our contract liabilities as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Advance from customers:			
Sales of goods	248,278	291,189	347,403
Licensing fee and others	12,503	4,227	987
Total	**260,781**	**295,416**	**348,390**

Our contract liabilities increased by 13.3% from RMB260.8 million as of December 31, 2022 to RMB295.4 million as of December 31, 2023, as a result of increased sales during the summer. Our contract liabilities increased by 17.9% to RMB348.4 million as of December 31, 2024, primarily because of increased in our total revenue.

CASH FLOWS

The table below sets forth our cash flows for the periods indicated.

	2022	2023	2024
		RMB'000	
Operating cash flows before movements in working capital	367,720	408,986	663,916
Changes in working capital	94,980	(45,815)	69,895
Income tax paid	(119,745)	(62,951)	(159,235)
Net cash from operating activities	342,955	300,220	574,576
Net cash (used in)/generated from investing activities	(125,556)	(259,079)	94,004
Net cash (used in)/generated from financing activities	(435,690)	101,855	(150,093)
Net (decrease)/increase in cash and cash equivalents	**(218,291)**	**142,996**	**518,487**
Cash and cash equivalents at beginning of the year/period	357,734	139,443	282,439
Effect of foreign exchange rate changes	—	—	—
Cash and cash equivalents at ending of the year/period	**139,443**	**282,439**	**800,926**

Operating Activities

In 2024, we had net cash generated from operating activities of RMB574.6 million, primarily consisting of our profit before taxation of RMB537.4 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB91.8 million, and (ii) changes in working capital, primarily comprising (a) an increase in trade and other payables of RMB821.6 million, (b) an increase in inventories of RMB714.8 million and (c) an increase in trade and other receivables of RMB95.1 million.

In 2023, we had net cash generated from operating activities of RMB300.2 million, primarily consisting of our profit before taxation of RMB313.6 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising depreciation of property, plant and equipment of RMB62.1 million and (ii) changes in working capital, primarily comprising (a) an increase in trade and other payables of RMB578.9 million, (b) an increase in trade and other receivables of RMB332.8 million and (c) an increase in inventories of RMB323.4 million.

In 2022, we had net cash generated from operating activities of RMB343.0 million, primarily consisting of our profit before taxation of RMB200.5 million, adjusted for items mainly including (i) non-cash and non-operating items, primarily comprising depreciation of right-of-use assets of RMB83.8 million and changes in working capital, primarily comprising (a) a decrease in inventories of RMB597.8 million, (b) decrease in trade and other payables of RMB310.3 million and (c) an increase in trade and other receivables of RMB189.1 million.

Investing Activities

In 2024, we had net cash generated from investing activities of RMB94.0 million, primarily consisting of proceeds from redemption of other financial assets of RMB2,367.1 million and proceeds from redemption of financial assets at FVTPL of RMB588.1 million, partially offset by purchase of other financial assets of RMB2,210.6 million.

In 2023, we had net cash used in investing activities of RMB259.1 million, primarily consisting of purchase of financial assets at FVTPL of RMB2,613.9 million and purchase of other financial assets of RMB1,020.4 million, partially offset by proceeds from redemption of financial assets at FVTPL of RMB2,619.9 million.

In 2022, we had net cash used in investing activities of RMB125.6 million, primarily consisting of purchase of financial assets at FVTPL of RMB2,751.8 million and placement of time deposits of RMB290.0 million, partially offset by proceeds from redemption of financial assets at FVTPL of RMB2,736.1 million.

Financing Activities

In 2024, we had net cash used in financing activities of RMB150.1 million, primarily consisting of repayment of borrowings of RMB1,145.0 million and dividend paid to the shareholders of the Company of RMB100.2 million, partially offset by new borrowings raised of RMB1,100.0 million.

In 2023, we had net cash generated from financing activities of RMB101.9 million, primarily consisting of new borrowings raised of RMB1,430.0 million, partially offset by repayment of borrowings of RMB1,200.0 million and dividend paid to the shareholders of the Company of RMB64.3 million.

In 2022, we had net cash used in financing activities of RMB435.7 million, primarily consisting of repayment of borrowings of RMB1,220.0 million and dividends paid to the shareholders of the Company of RMB90.6 million, partially offset by new borrowings raised of RMB970.0 million.

INDEBTEDNESS

The table below sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of February 28,
	2022	2023	2024	2025
	(in RMB thousands)			(unaudited)
Current				
Borrowings	50,672	354,652	434,510	231,750
Lease liabilities	34,754	14,175	27,555	18,481
Non-current				
Borrowings	199,000	125,000	—	—
Lease liabilities	73,808	65,824	65,187	73,708
Total	**358,234**	**559,651**	**527,252**	**323,939**

Borrowings

As of December 31, 2022, 2023 and 2024, we had borrowings of RMB249.7 million, RMB479.7 million and RMB434.5 million. The table below sets forth the maturity profile of our borrowings as of the dates indicated.

	As of December 31,			As of February 28,
	2022	2023	2024	2025
	(in RMB thousands)			(unaudited)
Within one year	50,672	354,652	434,510	231,750
Between one to two years	74,000	125,000	—	—
Between two to five years	125,000	—	—	—
Total	**249,672**	**479,652**	**434,510**	**231,750**

Lease Liabilities

Our lease liabilities decreased from RMB108.6 million as of December 31, 2022 to RMB80.0 million as of December 31, 2023, due to the closures of some of our offline stores as we strategically expanded to online channels. Our lease liabilities increased from RMB80.0 million as of December 31, 2023 to RMB92.7 million as of December 31, 2024, as we began opening up new offline stores to capitalize offline opportunities concurrent with our online channels.

Contingent liabilities

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

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

The table below sets forth our capital expenditure for the periods indicated.

	2022	2023	2024
	(in RMB thousands)		
Additions of property, plant and equipment	130,902	67,078	227,446
Additions of intangible assets	1,660	8,193	1,318
Total	**132,502**	**75,271**	**228,764**

During the Track Record Period, our capital expenditure was primarily for purchase of property, plant and equipment used in our production.

Capital Commitments

The table below sets forth our capital commitments as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	(in RMB thousands)		
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided during the Track Record Period	80,836	49,484	90,814

At December 31, 2024, the Group has proposed to make the following acquisitions (the "Acquisitions"), details of which are set out as below:

No.	Name of the targets	Acquisition consideration	Deposits paid at December 31, 2024	Acquisition targets	Principal business activities
1.	Hunan Ailingshi Technology Co., Ltd. (湖南愛零食科技有限公司)	no more than RMB200,000,000	RMB30,000,000	controlling rights or business and assets	operation of snack wholesale chain stores and discount retail chain shops
2.	Weilaiyilai (Tianjin) Technology Development Co., Ltd. (未來已來(天津)科技發展有限責任公司)	no more than RMB60,000,000	RMB50,000,000	controlling rights or business and assets	operation of discount retail chain shops
3.	Anhui Zhiyang Food Co., Ltd. (安徽致養食品有限公司)	no more than RMB100,000,000	Nil	controlling rights or business and assets	production and sales of plant-based protein and composite protein beverages

On October 28, 2024, The Group entered into a letter of intent with each of the acquisition targets and their respective shareholders, pursuant to which the Group indicated its intention to acquire the controlling rights or the business and assets of each of the acquisition targets. The final consideration for each of the Acquisitions will be determined by the parties through commercial arm's length negotiations, based on the final transaction structure, taking into account audit, appraisal and due diligence results.

The Acquisitions are not completed at date of this Document.

KEY FINANCIAL RATIOS

	For the year ended/as of December 31,		
	2022	2023	2024
Gross profit margin(1)	26.2%	22.7%	23.8%
Net profit margin(2)	1.8%	3.1%	3.8%
Return on assets(3)	2.7%	4.4%	6.6%
Return on equity(4)	5.6%	9.0%	15.2%
Current ratio(5)	1.8	1.6	1.4
Quick ratio(6)	1.2	1.1	0.8
Gearing ratio(7)	10.7%	19.1%	15.3%

Notes:

(1) Gross profit margin is calculated as gross profit for the year/period divided by revenue for the corresponding year/period and multiplied by 100%.

(2) Net profit margin is calculated as net profit for the year/period divided by revenue for the corresponding year/period and multiplied by 100%.

(3) Return on assets is calculated as net profit for the year divided by the average total assets and multiplied by 100%. Average total assets is the sum of the balance of total assets at the beginning and at the end of the year, divided by two.

(4) Return on equity is calculated as net profit for the year divided by the average total equity and multiplied by 100%. Average total equity is the sum of the balance of total equity at the beginning and at the end of the year, divided by two.

(5) Current ratio is calculated as total current assets as at the end of the year/period divided by total current liabilities as at the end of the corresponding year/period.

(6) Quick ratio is calculated as total current assets less inventories as at the end of the year/period and divided by total current liabilities as at the end of the corresponding year/period.

(7) Gearing ratio is calculated as the total bank loans as at the end of the year/period divided by total equity as at the end of the corresponding year/period and multiplied by 100%.

DISCLOSURE ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks including interest risk, credit risk and liquidity risk. For details of our risk exposure and sensitivity analysis, see "note 40 to Appendix I — Accountants' Report."

Interest Risk

We are exposed to fair value interest rate risk in relation to time deposits, restricted bank balances, other financial assets, fixed-rate borrowings and lease liabilities. We are exposed to cash flow interest rate risk in relation to variable-rate bank balances. Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. We currently do not have an interest rate hedging policy. The management considers our exposure of the interest risk is insignificant, and therefore no sensitivity analysis is presented accordingly.

Credit Risk

Credit risk refers to the risk that our counterparties may default on their contractual obligations resulting in financial losses to us. Our credit risk exposures primarily relate to trade and other receivables, time deposits, restricted bank balances, bank balances and financial guarantee contract. We do not hold any collateral or other credit enhancements to cover our credit risks associated with our financial assets.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of funds. To manage our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maximize our return to shareholders through the optimization of our debt and equity balance. Our overall strategy remained unchanged during the Track Record Period.

Our capital structure consists of net debt, which includes borrowings and lease liabilities, net of bank balances and cash and equity attributable to the owners of the Company, mainly comprising issued share capital, share premium, reserves and retained profits.

Our management reviews our capital structure on a regular basis. As part of this review, they consider the cost of capital and risks associated with the capital. Based on recommendations of our management, we will balance our overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

RELATED PARTY TRANSACTIONS

Related party transactions are set out in note 35 to Appendix I — Accountants' Report. Our Directors confirm that these transactions were conducted in the ordinary course of our business, on an arm's length basis and with normal commercial terms between the relevant parties.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period, we did not enter into any off-balance sheet arrangements.

DIVIDEND POLICY

In 2022, 2023 and 2024, our Company declared dividends of RMB90.6 million, RMB64.3 million and RMB150.2 million, all of which had been paid in full. See "Note 12 to the Accountants' Report" included in Appendix I to this Document for details.

We do not have a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

After the **[REDACTED]**, we may declare and pay dividends mainly by cash or by stock that we consider appropriate. Decisions to declare or to pay any dividends in the future will depend on, among other things, our Company's profitability, operations and development plans, external financing environment, costs of capital, our Company's cash flows and other factors that our Directors may consider relevant. Our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries.

DISTRIBUTABLE RESERVE

As of December 31, 2024, we had retained profits attributable to owners of the Company of RMB1,730.0 million.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

UNAUDITED [REDACTED] FINANCIAL INFORMATION

Please refer to Appendix II — Unaudited **[REDACTED]** Financial Information for details.

[REDACTED]

[REDACTED] represent professional fees, **[REDACTED]** and fees incurred in connection with the **[REDACTED]** and the **[REDACTED]**. Our **[REDACTED]** are estimated to be approximately HK$**[REDACTED]** (including **[REDACTED]**), accounting for **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the **[REDACTED]** range stated in this Document, and no exercise of the **[REDACTED]**). Among our **[REDACTED]**, approximately HK$**[REDACTED]** is directly attributable to the issuance of H Shares and will be charged to equity upon completion of the **[REDACTED]**, and approximately HK$**[REDACTED]** has been or will be charged to our consolidated statements of profit or loss and other comprehensive income. The **[REDACTED]** we incurred during the Track Record Period and expect to incur would consist of approximately HK$**[REDACTED]** **[REDACTED]** expenses and fees (including but not limited to **[REDACTED]** and fees), approximately HK$**[REDACTED]** **[REDACTED]** expenses and fees of the Sole Sponsor, legal advisers and reporting accountant and approximately HK$**[REDACTED]** for other **[REDACTED]** fees and expenses.

The **[REDACTED]** above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, as of the date of this Document, there has been no material adverse change in our financial position since December 31, 2024, and there has been no event since December 31, 2024 that would materially affect the information as set out in the Accountants' Report in Appendix I to this Document.

SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, the total issued share capital of the Company was 401,000,000 A Shares (including 270,700 repurchased A Shares as treasury shares) of nominal value of RMB1.00 each, which are all listed on the main board of the Shenzhen Stock Exchange.

Upon the Completion of the [REDACTED]

Immediately following the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), the share capital of the Company will be as follows.

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital following the [REDACTED]
A Shares in issue(note)	401,000,000	**[REDACTED]**%
H Shares to be **[REDACTED]** pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	100%

Note: Including 270,700 A Shares repurchased by the Company pursuant to the repurchase mandates approved by the Board, representing approximately 0.07% of the total number of A Shares in issue as of the Latest Practicable Date.

Immediately following the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), the share capital of the Company will be as follows.

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital following the [REDACTED]
A Shares in issue(note)	401,000,000	**[REDACTED]**%
H Shares to be **[REDACTED]** pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	100%

Note: Including 270,700 A Shares repurchased by the Company pursuant to the repurchase mandates approved by the Board, representing approximately 0.07% of the total number of A Shares in issue as of the Latest Practicable Date.

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 following the completion of the **[REDACTED]**, and our A Shares, are ordinary Shares in our share capital and are considered as one class of Shares. Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be **[REDACTED]** for and **[REDACTED]** by mainland Chinese investors, qualified foreign institutional investors or qualified foreign strategic investors and must be **[REDACTED]** in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be **[REDACTED]** for and **[REDACTED]** by Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect. Our H Shares can be **[REDACTED]** for or **[REDACTED]** 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 **[REDACTED]** for and **[REDACTED]** 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 [REDACTED] AND [REDACTED] 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 **[REDACTED]** and **[REDACTED]** on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for the Company to **[REDACTED]** H Shares and seek the **[REDACTED]** of H Shares on the Hong Kong Stock Exchange. The Company has obtained such approval at the Shareholders' general meeting of the Company held on April 21, 2025 and is subject to the following conditions:

(i) *Size of the* **[REDACTED]**. 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 **[REDACTED]** pursuant to the **[REDACTED]** (before the exercise of the **[REDACTED]**). The number of H Shares to be **[REDACTED]** 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 an international **[REDACTED]** to institutional investors and a public **[REDACTED]** for **[REDACTED]** in Hong Kong.

(iii) *Target investors.* The H Shares shall be **[REDACTED]** to public investors in Hong Kong under the Hong Kong Public **[REDACTED]** and international investors, qualified domestic institutional investors in mainland China and other investors who are approved by mainland Chinese regulatory bodies to invest abroad in **[REDACTED]**.

(iv) **[REDACTED]**. The issue **[REDACTED]** of the H Shares will be determined, among others, after due consideration of the interests of existing shareholders of the Company, acceptance of investors and the risks related to the **[REDACTED]**, according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(v) *Validity period.* The **[REDACTED]** of H Shares and **[REDACTED]** of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the Shareholders' general meeting was held on April 21, 2025.

There is no other approved **[REDACTED]** plan for our Shares except the **[REDACTED]**.

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which the Shareholders' general meeting is required, see "Regulatory Overview" and "Appendix III — Summary of the Articles of Association."

So far as is known to the Directors as of the Latest Practicable Date, immediately following the completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), the following person will have an interest and/or short position (as applicable) in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the shares of the Company or any other member of the Group:

				Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)		**Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is fully exercised)**	
Name of Shareholder	**Nature of Interest**	**Description of Shares**	**Number of Shares Held or Interested**	**Approximate percentage of shareholding in our A Shares**	**Approximate percentage of shareholding in the total share capital of the Company**	**Approximate percentage of shareholding in our A Shares**	**Approximate percentage of shareholding in the total share capital of the Company**
Mr. Zhang	Beneficial owner	A Shares	161,872,000	40.37%	[REDACTED]%	40.37%	[REDACTED]%
	Interest in controlled corporations(1)(2)	A Shares	10,366,500	2.59%	[REDACTED]%	2.59%	[REDACTED]%

Notes:

(1) As of the Latest Practicable Date, Mr. Zhang owned 99% equity interest in Liaoyuan Investment, which directly held 6,696,000 A Shares. Mr. Zhang controlled approximately 93.39% equity interest in Squirrel Entertainment, which is (i) a limited partner of Songguo No.1, holding an interest of approximately 74.76%, (ii) a limited partner of Songguo No.2, holding an interest of approximately 99.60%, (iii) a limited partner of Songguo No.3, holding an interest of approximately 99.90%, (iv) a limited partner of Songguo No.4, holding an interest of approximately 98.24%; (v) a limited partner of Songguo No.5, holding an interest of approximately 99.06%. Songguo Investment is a limited partnership held by Songguo No.4 (as the general partner) and Squirrel Entertainment, Songguo No.1, Songguo No.2, Songguo No.3 and Songguo No.5 (as limited partners). Songguo Investment directly held 3,399,800 A Shares. Therefore, Mr. Zhang was deemed to be interested in all the A Shares held by Liaoyuan Investment and Songguo Investment under the SFO, which is 10,095,800 A Shares in total.

(2) As of the Latest Practicable Date, there were 270,700 A Shares repurchased and held in the Company's stock repurchase account as treasury shares. Mr. Zhang, through Liaoyuan Investment and Songguo Investment, directly and indirectly controls more than one-third of the voting power at the general meetings of the Company and would be taken to have an interest in such repurchased A Shares held by the Company under the SFO.

Save as disclosed above, the Directors are not aware of any person who will, immediately following the completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), have an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, 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 any general meeting of the Company.

SHARE PLEDGES BY MR. ZHANG AND LIAOYUAN INVESTMENT

Mr. Zhang and Liaoyuan Investment have from time to time pledged the A Shares they owned to certain PRC financial institutions as collateral in order to obtain financing. As of the Latest Practicable Date, Mr. Zhang has pledged 29,540,000 A Shares, representing approximately 7.37% of the total issued share capital of our Company and Liaoyuan Investment has pledged 6,696,000 A Shares, representing approximately 1.67% of the total issued share capital of our Company.

To the best knowledge of our Directors having made all reasonable enquiries, there has not been any adverse credit records against Mr. Zhang or Liaoyuan Investment in respect of any breach of repayment obligations under its indebtedness.

Each of Mr. Zhang and Liaoyuan Investment has confirmed that, if there is a risk of default or other circumstances that may give rise to the enforcement of the pledged A Shares, Mr. Zhang and Liaoyuan Investment shall take all necessary actions, such as provision of additional collaterals and repayment of loans, to avoid such enforcement.

OVERVIEW

As at the Latest Practicable Date, Mr. Zhang controlled approximately 42.04% of the total issued Shares, comprising approximately 40.37% direct interest and approximately 1.67% indirect interest through Liaoyuan Investment, a company controlled by Mr. Zhang. See "History, Development and Corporate Structure" for the corporate structure of the Group. Liaoyuan Investment was primarily engaged in investment holding as of the Latest Practicable Date.

Immediately following the completion of the **[REDACTED]** (assuming that no new Shares are issued under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), Mr. Zhang will control approximately **[REDACTED]**% of the total issued Shares, comprising approximately **[REDACTED]**% direct interest and approximately **[REDACTED]**% indirect interest through Liaoyuan Investment. Accordingly, Mr. Zhang and Liaoyuan Investment are and will continue to be a group of Controlling Shareholders upon the **[REDACTED]**.

INDEPENDENCE OF THE GROUP FROM THE CONTROLLING SHAREHOLDERS

Taking into consideration the following factors, the Directors are of the view that the Group is able to carry on its business independently from the Controlling Shareholders and their respective close associates after the completion of the **[REDACTED]**.

Operational Independence

The Group operates independently from the Controlling Shareholders and their respective close associates.

The Group holds and enjoys the benefits of all material licenses necessary to carry out its business. The Group has obtained, among other things, all material qualifications and authorization, operational equipment, premises, intellectual properties and domain names that are needed for its business. The Group has sufficient capital, facilities, equipment and employees to operate its business independently from the Controlling Shareholders. The Group also has independent access to its customers and suppliers and an independent management team to operate its business.

Based on the above, the Directors are satisfied that the Group is able to operate independently from the Controlling Shareholders and their respective close associates.

Financial Independence

The Group is able to operate independently from the Controlling Shareholders and their respective close associates from the financial perspective.

The Group has established its own finance department responsible for the financial management, accounting and taxation in the ordinary and usual course of business of the Company. The Group also has its own risk management and internal control system, independent accounting and financial management system and independent management for cash receipts and payments. The Group's accounting and finance functions are independent from the Controlling

Shareholder and their close associates. The Group is capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders. As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, the Controlling Shareholders or their respective close associates.

Based on the above, the Directors are of the view that the Group is financially independent from the Controlling Shareholders and their respective close associates.

Management Independence

The Board consists of eight Directors, including four executive Directors and four independent non-executive Directors. See "Directors and Senior Management" for more information.

The Directors are of the view that the Board and the senior management of the Group are able to function independently from the Controlling Shareholders and their respective close associates for the following reasons:

(i) each of the Directors is aware of and understands the fiduciary duties which, among other things, requiring he/she to act in the best interests of the Company and the Shareholders as a whole;

(ii) the decision-making mechanism of the Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interests, including requiring a Director to abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates have a material interest;

(iii) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which the Company is engaged, and will therefore be able to make business decisions that are in the best interests of the Company;

(iv) the Company has four independent non-executive Directors who have extensive experiences in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. The Directors believe that the presence of the independent non-executive Directors from different backgrounds provides a balance of views and opinions for the Board; and

(v) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between the Group and the Controlling Shareholders which would support our independent management. See "— Corporate Governance Measures" for more information.

COMPETING INTEREST

Each of the Controlling Shareholders confirms that he/it does not have any interest in a business, apart from the business of the Group, which competes or is likely to compete (directly or indirectly) with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete (directly or indirectly) with the Group's business.

NON-COMPETE UNDERTAKINGS

Mr. Zhang has provided certain non-competition undertakings to the Company in July 2019, pursuant to which Mr. Zhang has undertaken, among other things, that:

(i) Mr Zhang will procure that none of Mr. Zhang, any other companies, enterprises, or economic organizations controlled by Mr. Zhang, or affiliated enterprises of Mr. Zhang, will directly or indirectly engage in any business that is identical or similar to, or constitutes or may constitute competition with, the Company's business, and Mr. Zhang will not conduct any other activities that would harm the legitimate rights and interests of the Company or other Shareholders;

(ii) if Mr. Zhang or any other enterprises or economic organizations controlled by Mr. Zhang have any business opportunities to engage in, participate in, or invest in any business that may compete with the Company's business, Mr. Zhang will, according to the request of the Company, give such business opportunities to the Company, allowing the Company to have the priority to acquire the assets or equity related to such business under the same conditions, in order to avoid competition with the Company; and

(iii) if the Group further expands its business scope which will lead to competition with any identical or similar business of other enterprises controlled by Mr Zhang, Mr. Zhang will inject the competitive business into the Group in a lawful manner to avoid competition with the Company.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of the Shareholders, the Company will adopt the following corporate governance measures to manage any potential conflicts of interest with the Controlling Shareholders and their respective close associates:

(i) where a Board meeting is held for the matters in which any Director or his/her associates have a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(ii) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders or their respective associates will not vote on the resolutions and shall not be counted in the quorum in the voting;

(iii) as part of the preparation for the **[REDACTED]**, the Company has amended the Articles of Association to comply with the Listing Rules which will become effective upon the **[REDACTED]**. In particular, the Articles of Association will provide 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 close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(iv) the Company has established internal control mechanisms to identify connected transactions. Upon the **[REDACTED]**, if the Company enters into connected transactions with the Controlling Shareholders or any of their associates, the Company will comply with the applicable requirements under the Listing Rules;

(v) the Company is committed that the Board shall include a balanced composition of executive Director and independent non-executive Directors. The Company has appointed four independent non-executive Directors, and believes that the 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 the Shareholders as a whole;

(vi) where the Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at the Company's expense; and

(vii) the Company has appointed Gram Capital Limited as its Compliance Adviser, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

The Directors consider that the above corporate governance measures are sufficient to manage potential conflict of interests between the Controlling Shareholders and the Group, and to protect the interests of the minority Shareholders.

Upon **[REDACTED]**, certain transactions between the Company and its connected persons will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

SUMMARY OF THE CONNECTED PERSONS

The Company has entered into certain transactions in the ordinary and normal course of its business with the following connected persons, which will constitute continuing connected transactions upon the **[REDACTED]**:

Name	**Connected Relationship**
Connected persons at the issuer level	
Squirrel Entertainment and its subsidiaries ("**Squirrel Entertainment Group**")	As of the Latest Practicable Date, Squirrel Entertainment was owned, directly and indirectly, as to approximately 93.39% by Mr. Zhang, an executive Director and one of our Controlling Shareholders. Accordingly, Squirrel Entertainment Group is an associate of Mr. Zhang and therefore constitute a connected person of the Company under the Listing Rules.
Connected person at the subsidiary level	
Anhui Pinecone Uncle Nut Products Co., Ltd. (安徽松果大叔堅果製品有限責任公司) ("**Pinecone Uncle**")	As of the Latest Practicable Date, Pinecone Uncle was owned as to 41.78% by Mr. Hu Houzhi, a director of Three Squirrels (Wuwei) Co., Ltd., one of our subsidiaries. Accordingly, Pinecone Uncle is an associate of Mr. Hu Houzhi and therefore constitute a connected person of the Company at the subsidiary level under the Listing Rules.

SUMMARY OF THE CONTINUING CONNECTED TRANSACTIONS

No.	Nature of Transactions	Counterparty	Relevant Listing Rules	Waiver Sought	Proposed Annual Caps For the year ending December 31, 2025	 2026	 2027
					(RMB in million)		
Fully-Exempt Continuing Connected Transactions							
1.	IP Licensing Framework Agreement	Squirrel Entertainment Group	14A.76(1)(a)	N/A	N/A	N/A	N/A
2.	Squirrel Entertainment Comprehensive Procurement Framework Agreement	Squirrel Entertainment Group	14A.76(1)(a)	N/A	N/A	N/A	N/A
3.	Squirrel Entertainment Utilities Supply Framework Agreement	Squirrel Entertainment Group	14A.76(1)(a)	N/A	N/A	N/A	N/A
4.	Pinecone Uncle Materials Procurement Framework Agreement	Pinecone Uncle	14A.76(1)(b)	N/A	N/A	N/A	N/A
5.	Pinecone Uncle Materials Supply Framework Agreement	Pinecone Uncle	14A.76(1)(b)	N/A	N/A	N/A	N/A

Fully-Exempt Continuing Connected Transactions

I. IP Licensing Framework Agreement

The Company [has] entered into an IP licensing agreement with Squirrel Entertainment on [●] (the "**IP Licensing Framework Agreement**"), pursuant to which the Company agreed to grant Squirrel Entertainment Group a non-exclusive licence of certain trademarks owned by the Group (the "**Licensed Trademarks**") for use in connection with Squirrel Entertainment Group's ordinary course of business and operations for an initial term of three years commencing from [●] 2025. The Company will charge Squirrel Entertainment Group an annual royalty representing 0.15% of annual sales revenue of Squirrel Entertainment Group, which is determined after arm's length negotiations between the Company and Squirrel Entertainment Group, with reference to, among others, the Licensed Trademarks' underlying value, the prevailing market conditions and the principle of fairness. Squirrel Entertainment Group will use the Licensed Trademarks within the scope specified in the IP Licensing Framework Agreement.

The transactions contemplated under the IP Licensing Framework Agreement have been conducted in the ordinary and usual course of business and on normal commercial terms or better. As all of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, the IP Licensing Framework Agreement will be fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

II. Squirrel Entertainment Comprehensive Procurement Framework Agreement

The Company [has] entered into a framework agreement with Squirrel Entertainment on [●] (the "**Squirrel Entertainment Comprehensive Procurement Framework Agreement**"), pursuant to which the Company agreed to procure products and services, including, among others, hospitality coupons, catering services, accommodation services and rental services from Squirrel Entertainment Group (collectively, the "**Products and Services from Squirrel Entertainment Group**") as the Company may require from time to time.

The pricing of the Products and Services from Squirrel Entertainment Group is determined after arm's length negotiations between the Company and Squirrel Entertainment Group with reference to, among others, the costs, the quantities and quality of the Products and Services from Squirrel Entertainment Group, the prevailing market conditions and the principle of fairness.

The initial term of the Squirrel Entertainment Comprehensive Procurement Framework Agreement is three years commencing from [●] 2025, subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

The transactions contemplated under the Squirrel Entertainment Comprehensive Procurement Framework Agreement have been conducted in the ordinary and usual course of business and on normal commercial terms or better. As all of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, the Squirrel Entertainment Comprehensive

Procurement Framework Agreement will be fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

III. Squirrel Entertainment Utilities Supply Framework Agreement

The Company [has] entered into a framework agreement with Squirrel Entertainment on [●] (the "**Squirrel Entertainment Utilities Supply Framework Agreement**"), pursuant to which the Company agreed to supply the utilities (including, among others, natural gas) which Squirrel Entertainment Group may consume during its operation in our canteen premises (collectively, the "**Utilities to Squirrel Entertainment Group**").

The fees charged by the Company for the Utilities to Squirrel Entertainment Group is determined on an at-cost basis with reference to the utility charges on the relevant premises paid by the Company to the relevant utility providers, which typically are at government-prescribed rates.

The initial term of the Squirrel Entertainment Utilities Supply Framework Agreement is three years commencing from [●] 2025, subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

The transactions contemplated under the Squirrel Entertainment Utilities Supply Framework Agreement have been conducted in the ordinary and usual course of business and on normal commercial terms or better. As all of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1%, the Squirrel Entertainment Utilities Supply Framework Agreement will be fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

IV. Pinecone Uncle Materials Procurement Framework Agreement

The Company [has] entered into a framework agreement with Pinecone Uncle on [●] (the "**Pinecone Uncle Materials Procurement Framework Agreement**"), pursuant to which the Company agreed to procure materials, including, among others, nut products, from Pinecone Uncle (collectively, the "**Materials from Pinecone Uncle**") as the Company may require from time to time.

The pricing of the Materials from Pinecone Uncle is to be determined by the Company and Pinecone Uncle on normal commercial terms, negotiated on arm's length basis, with reference to, among others, the costs, the quantities and quality of the Materials from Pinecone Uncle, the prevailing market conditions and the principle of fairness.

The initial term of the Pinecone Uncle Materials Procurement Framework Agreement is three years commencing from [●] 2025, subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

The transactions contemplated under the Pinecone Uncle Materials Procurement Framework Agreement have been conducted in the ordinary and usual course of business and on normal commercial terms or better. As all of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 1%, the Pinecone Uncle Materials Procurement Framework Agreement will be fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

V. Pinecone Uncle Materials Supply Framework Agreement

The Company [has] entered into a framework agreement with Pinecone Uncle on [●] (the "**Pinecone Uncle Materials Supply Framework Agreement**"), pursuant to which the Company agreed to supply materials, including, among others, raw materials for nut products, to Pinecone Uncle (collectively, the "**Materials to Pinecone Uncle**") as it may require from time to time.

The pricing of the Materials to Pinecone Uncle is to be determined by the Company and Pinecone Uncle on normal commercial terms, negotiated on arm's length basis, with reference to, among others, the costs, the quantities and quality of the Materials to Pinecone Uncle, the prevailing market conditions and the principle of fairness.

The initial term of the Pinecone Uncle Materials Supply Framework Agreement is three years commencing from [●] 2025, subject to renewal upon the mutual consent of both parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

The transactions contemplated under the Pinecone Uncle Materials Supply Framework Agreement have been conducted in the ordinary and usual course of business and on normal commercial terms or better. As all of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 1%, the Pinecone Uncle Materials Supply Framework Agreement will be fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

OVERVIEW

The Board consists of eight Directors, including four executive Directors and four independent non-executive Directors. The Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. In accordance with the relevant laws and regulations in the PRC, the independent non-executive Directors shall not hold office for more than six consecutive years.

DIRECTORS

The following table sets out information in respect of the Directors of our Company:

Name	Age	Position	Duty	Date of Appointment as a Director	Date of Joining the Group
Mr. Zhang Liaoyuan	49	Executive Director, chairman of the Board and general manager	Responsible for overall strategy, business development, operation and management of the Group	February 16, 2012	February 2012
Mr. Pan Daowei	37	Executive Director, general manager of the Public Relations Center and secretary to the Board	Responsible for the corporate governance, administration and compliance matters of the Group	December 14, 2015	April 2014
Mr. Wei Benqiang	37	Executive Director and general manager of the Mass Consumer Goods Center	Responsible for the management of nut procurement, manufacturing and supply chain of the Group	December 14, 2015	June 2012
Mr. Guo Guangyu	35	Executive Director and general manager of the Short Video E-commerce Center	Responsible for the management of short video e-commerce business of the Group	December 14, 2015	March 2012
Mr. Huang Zhongwei	39	Independent non-executive Director	Overseeing and providing independent judgment to the Board	December 27, 2021	December 2021
Mr. Wu Sheng	51	Independent non-executive Director	Overseeing and providing independent judgment to the Board	December 27, 2021	December 2021
Ms. Wu Xiaoliang	45	Independent non-executive Director	Overseeing and providing independent judgment to the Board	April 25, 2024	April 2024
Mr. Bai Xianyue	54	Independent non-executive Director	Overseeing and providing independent judgment to the Board	April 21, 2025	April 2025

Executive Directors

Mr. Zhang Liaoyuan (章燎源), aged 49, is the chairman of the Board and general manager of the Company, and was redesignated as an executive Director in April 2025 with effect from the **[REDACTED]**. Mr. Zhang is responsible for overall strategy, business development, operation and management of the Group.

Mr. Zhang served as a regional manager, deputy general manager, sales director, general manager and director of Anhui Zhanshi Foods Co., Ltd.* (安徽詹氏食品有限公司) from July 2003 to December 2011; Mr. Zhang has served as a Director, the chairman and the general manager of the Company since February 2012, and is currently concurrently an executive director of Liaoyuan Investment, chairman of Squirrels Entertainment, executive partner of Squirrels Town, executive director and general manager of Anhui Sungo Investment Management Co., Ltd.* (安徽松果投資管理有限公司), chairman of Anhui Squirrel Xiaojian E-Commerce Co., Ltd.* (安徽松鼠小賤電子商務有限公司), and general manager of Anhui Zhongchuang Food Inspection Co., Ltd.* (安徽中創食品檢測有限公司).

Mr. Pan Daowei (潘道偉), aged 37, is the general manager of the Public Relations Center of the Company and secretary to the Board and was redesignated as an executive Director in April 2025 with effect from the **[REDACTED]**. Mr. Pan Daowei is responsible for the corporate governance, administration and compliance matters of the Group.

Mr. Pan Daowei served as a deputy director of marketing of Anhui Zhanshi Foods Co., Ltd.* (安徽詹氏食品股份有限公司) from March 2010 to March 2014, as a supervisor of Anhui Zhanshi Foods Co., Ltd. from December 2013 to November 2015; as an assistant Director of the Company from April 2014 to December 2015. He has served as a Director, secretary of the Party Committee, general manager of the Public Relations Center and secretary to the Board of the Company since December 2015. He has served as a director of Anhui Squirrel Xiaojian E-Commerce Co., Ltd. since April 2016; as a director of Wuhu Green Food Industry Research Institute Co., Ltd.* (蕪湖市綠色食品產業研究院有限公司) since January 2024; as a director of Anhui Yijianshi Venture Capital Co., Ltd.* (安徽一件事創業投資有限公司) since October 2024; and as the president of the Anhui New Farmers Association* (安徽省新農人協會) since October 2023.

Mr. Pan Daowei obtained a bachelor's degree in biotechnology in June 2008 from Hefei University of Technology. Mr. Pan Daowei obtained the qualification certificate of secretary of the board of directors by the Shenzhen Stock Exchange in July 2017. Mr. Pan Daowei was appointed a deputy secretary of the Wuhu Municipal Committee of the Communist Youth League in September 2017 and a representative to the 20th National Congress of the Communist Party of China in June 2022.

Mr. Wei Benqiang (魏本強), aged 37, is the general manager of the Mass Consumer Goods Center of the Company, and was redesignated as an executive Director in April 2025 with effect from the **[REDACTED]**. Mr. Wei Benqiang is responsible for nut procurement, manufacturing and supply chain management of the Group.

Mr. Wei Benqiang served as an employee of Xinpu Chemical (Taixing) Co., Ltd.* (新浦化學(泰興)有限公司) from July 2007 to December 2010; as an employee of Ma'anshan Weitai Mechanical & Electrical Co., Ltd.* (馬鞍山威泰機電有限公司) from February 2011 to May 2012. He has served as a procurement director and general manager of the nut business division of the Company from June 2012 to December 2015, and a director, general manager of the Product Centre and executive Director of the Squirrel ICAC (松鼠廉署) of the Company since December 2015. He has served as a director of Anhui Squirrel Xiaojian E-commerce Co., Ltd. since April 2016; as an executive director of Squirrel Cloud Supply International Trading Co., Ltd.* (松鼠雲供國際貿易有限公司) since April 2020; and as a director of Aolan Squirrel Food (Wuhu) Co., Ltd.* (翱蘭松鼠食品(蕪湖)有限公司) since November 2022.

Mr Wei Benqiang obtained a college diploma in industrial instrumentation and automation in July 2007 from Anhui University of Science and Technology.

Mr. Guo Guangyu (郭廣宇), aged 35, is the general manager of the Short Video E-commerce Center of the Company, and was redesignated as an executive Director in April 2025 with effect from the **[REDACTED]**. Mr. Guo Guangyu is responsible for the management of short video e-commerce business of the Group.

Mr. Guo Guangyu served as the brand director of the Company from March 2012 to December 2015; as the chief brand officer and general manager of short video e-commerce of the Company since December 2015; and as the executive director of Anhui Three Squirrels E-commerce Co., Ltd.* (安徽三隻松鼠電子商務有限公司) since December 2022.

Mr. Guo Guangyu obtained a college diploma in computer application in June 2011 from Sanming University in Fujian Province.

Independent Non-executive Directors

Mr. Huang Zhongwei (黃鐘偉), aged 39, was appointed as an independent Director of the Company in December 2021, and was redesignated as an independent non-executive Director in April 2025 with effect from the **[REDACTED]**. Mr. Huang Zhongwei is responsible for overseeing and providing independent judgment to the Board.

Mr. Huang Zhongwei was a lecturer and a senior lecturer in accounting at City, University of London, the United Kingdom from September 2015 to June 2021. Mr. Huang Zhongwei has been an associate professor of the Department of Accounting, School of Management, Fudan University since June 2021. Mr. Huang Zhongwei has been an independent director of Shanghai Shibei High-Tech Co., Ltd. (上海市北高新股份有限公司) (SSE: 600604) since January 2024.

Mr. Huang Zhongwei obtained a bachelor's degree in accounting from Xiamen University in July 2008, a master's degree in accounting from Xiamen University in June 2010 and a doctorate in management science from Ecole Supérieure des Sciences Economiques et Commerciales, France in October 2015. Mr. Huang Zhongwei obtained the qualification of non-practicing member by the Chinese Institute of Certified Public Accountants in December 2013 and the qualification certificate of independent director of listed companies by the Shenzhen Stock Exchange in January 2022.

Mr. Wu Sheng (吳聲), aged 51, was appointed as an independent Director of the Company in December 2021, and was redesignated as an independent non-executive Director in April 2025 with effect from the **[REDACTED]**. Mr. Wu Sheng is responsible for overseeing and providing independent judgment to the Board.

Mr. Wu Sheng served as a senior vice president of Beijing Jingdong Century Trading Co., Ltd. (北京京東世紀貿易有限公司) from December 2011 to September 2012; as the co-founder of Beijing Logicreation Information & Technology Co., Ltd. (北京思維造物信息科技有限公司) from January 2013 to July 2015; as a director of Beijing Youzhi Investment Management Co., Ltd.* (北京由之投資管理有限公司) since September 2018; as the executive director of Changjing Intelligence Manufacturing (Beijing) Technology Co., Ltd.* (場景智造(北京)科技有限公司) since February 2019; as an independent director of Ribo Fashion Group Co., Ltd. (日播時尚集團股份有限公司) (SSE: 601116) from May 2019 to September 2023; and as the chairman and general manager of Changjingpai (Beijing) Technology Co., Ltd.* (場景派(北京)科技有限公司) since June 2024.

Mr. Wu Sheng graduated from Nanjing University with major in tourism management in July 1995.

Ms. Wu Xiaoliang (吳小亮), aged 45, was appointed as an independent Director of the Company in April 2024, and was redesignated as an independent non-executive Director in April 2025 with effect from the **[REDACTED]**. Ms. Wu Xiaoliang is responsible for overseeing and providing independent judgment to the Board.

Ms. Wu Xiaoliang served as an associate and partner of Grandall Law Firm (Shanghai) (國浩律師(上海)事務所). She has been a founding partner, managing partner and associate of CM Law Firm (上海澄明則正律師事務所) since January 2019; an independent director of Huajin Securities Co., Ltd. (華金證券股份有限公司) since March 2020, and an independent director of Beijing Logicreation Information & Technology Co., Ltd. (北京思維造物信息科技股份有限公司) since May 2022.

Ms. Wu Xiaoliang obtained a bachelor's degree in law from Nankai University in June 2001 and a master's degree in civil and commercial law from Nankai University in June 2004. Ms. Wu Xiaoliang was qualified as a PRC lawyer by the Ministry of Justice of the PRC in October 2022.

Mr. Bai Xianyue (白顯月), aged 54, was appointed as an independent Director of the Company and was redesignated as an independent non-executive Director in April 2025 with effect from the **[REDACTED]**. Mr. Bai Xianyue is responsible for overseeing and providing independent judgment to the Board.

Mr. Bai Xianyue was first approved to practice as a licensed lawyer in China in April 2002 and has been practicing for over 20 years. He has been an independent director of First Futures Co., Ltd. (一德期貨有限公司) since April 2016 and has been a partner of Grandall Law Firm (Tianjin) (國浩(天津)律師事務所) since January 2019. Mr. Bai Xianyue has served as an independent non-executive director of Mokingran Jewellery Group Co., Ltd. (夢金園黃金珠寶集團股份有限公司) (HKEX: 2585) since August 2024. Mr. Bai Xianyue has been appointed as an arbitrator on the roster of China International Economic and Trade Arbitration Commission (CIETAC), Hong Kong International Arbitration Centre (HKIAC), Court of Arbitration for Sport (CAS), Asian International Arbitration Centre (AIAC), International Commercial Dispute Prevention and Settlement Organization (ICDPASO), Beijing Arbitration Commission, Shanghai International Arbitration Centre, Shenzhen Court of International Arbitration and other arbitration institutions; and concurrently he is a member of the Arbitration Committee of the International Chamber of Commerce (ICC). He served as one of the six arbitrators on the Ad Hoc Arbitral Tribunal for the 18th Asian Games held in Indonesia in 2018 and as one of the nine arbitrators on the Ad Hoc Arbitral Tribunal for the Beijing 2022 Winter Olympics from January to February 2022.

Mr. Bai Xianyue obtained a master's degree in advanced studies in law from Katholieke Universiteit Leuven in July 2003 and a Magister Juris from the University of Oxford in July 2006.

SENIOR MANAGEMENT

The following table sets out information in respect of the senior management of our Company:

Name	Age	Position	Duty	Date of First Appointment	Date of Joining the Group
Mr. Zhang Liaoyuan	49	Executive Director, chairman of the Board and general manager	Responsible for overall strategy, business development, operation and management of the Group	February 16, 2012	February 2012
Mr. Pan Daowei . .	37	Executive Director, general manager of the Public Relations Center and secretary to the Board	Responsible for the corporate governance, administration and compliance matters of the Group	December 14, 2015	April 2014
Mr. Zhou Ting . . .	42	Chief financial officer	Responsible for the Group's finances, accounting, taxation, and fund-related matters	December 20, 2012	December 2012

For detailed resumes of Mr. Zhang and Mr. Pan Daowei, please refer to the section "Director" above.

Mr. Zhou Ting (周庭), aged 42, served as the chief financial officer of the Company.

Mr. Zhou Ting served an accountant of Anhui Jingcheng Copper Company Limited* (安徽精誠銅業股份有限公司) from September 2007 to September 2009; he served as an accountant of Wuhu Japhl Powertrain Company Limited* (蕪湖傑鋒汽車動力系統有限公司) from April 2010 to December 2012 and a finance manager of the Company from December 2012 to March 2016; since March 2016, he has served as the financial director of the Company. He has served as the executive director of Xingxing Diandeng (Wuhu) Investment and Management Co., Ltd.* (星星點燈(蕪湖)投資管理有限公司) since April 2023.

Mr. Zhou Ting obtained a diploma in asset valuation from Anhui Business College in July 2003.

As of the Latest Practicable Date: (i) Pursuant to Rule 8.10(2) of the Listing Rules, none of the Directors have any interest in any business which competes or may compete, either directly or indirectly, with the business of the Company; (ii) there are no relationships among any Directors and chief executives of the Company; (iii) Save as disclosed in the "Statutory and General Information" section, none of the Directors and chief executives have any interests in the shares that are required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance; and (iv) Save for the disclosures mentioned above, there are no other matters relating to the appointment of Directors that require the attention of shareholders, nor are there any other details concerning Directors that must be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

Mr. Lyu Jinqing (呂金青), aged 28, is the joint company secretary and securities representative of the Company.

Mr. Lyu Jinqing served as the public relations manager, securities assistant and investment manager of the Company from April 2019 to July 2022, the securities representative of the Company from August 2022 and the joint company secretary of the Company from March 2025.

Mr. Lyu Jinqing obtained a bachelor's degree in Management from Nanjing Agricultural University in June 2019.

Ms. Nelly Au-Yeung (歐陽麗妮), aged 36, is the joint company secretary of the Company.

Ms. Nelly Au-Yeung is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Nelly Au-Yeung has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Nelly Au-Yeung is currently the company secretary/joint company secretary of two listed companies on the Hong Kong Stock Exchange including, Anton Oilfield Service Group (Stock Code: 3337) and Zai Lab Limited (Stock Code: 9688).

Ms. Nelly Au-Yeung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Nelly Au-Yeung obtained her Bachelor of Arts in Economics and Finance from Hong Kong Shue Yan University in July 2011 and obtained a Master of Corporate Governance from The Hong Kong Polytechnic University in September 2018.

CONFIRMATION FROM DIRECTORS

Rule 3.09D of the Listing Rules

Each of Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in April 2025, and (ii) understands all applicable provisions of the Listing Rules pertaining to his or her obligations as a director of a listed issuer, as well as the potential consequences of making false declarations or providing false information to the Hong Kong Stock Exchange.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

BOARD COMMITTEES

In accordance with the relevant laws and regulations of the PRC, the Articles of Association, and the Listing Rules, the Company has established four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, and the Strategy Committee.

Audit Committee

The Company has established the Audit Committee with its written terms of reference in accordance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 of the Listing Rules. The Audit Committee is primarily responsible for reviewing and overseeing the financial reporting procedures and internal control systems of the Group, reviewing and approving related-party transactions, and providing advice and recommendations to the Board. The Audit Committee consists of three members, namely Mr. Huang Zhongwei, Ms. Wu Xiaoliang, and Mr. Guo Guangyu, with Mr. Huang Zhongwei serving as the chairman and being a suitably qualified director as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Nomination Committee

In accordance with Rule 3.27A of the Listing Rules and the Corporate Governance Code set out in Appendix C1 of the Listing Rules, the Company has established the Nomination Committee and formulated its written terms of reference. The primary responsibilities of the Nomination Committee include formulating selection criteria and procedures for Directors and senior management of the Company, and making recommendations to the Board on the appointment of directors and succession planning for the Board. The Nomination Committee consists of three members, namely Mr. Wu Sheng, Ms. Wu Xiaoliang, and Mr. Zhang Liaoyuan, with Mr. Wu Sheng serving as the chairman of the Nomination Committee.

Remuneration and Appraisal Committee

In accordance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 of the Listing Rules, the Company has established the Remuneration and Appraisal Committee and established its written terms of reference. The Remuneration and Appraisal Committee is primarily responsible for reviewing the evaluation criteria and remuneration packages for the Directors and senior management of the Company and making recommendations to the Board. The Remuneration and Appraisal Committee consists of three members, namely Ms. Wu Xiaoliang, Mr. Huang Zhongwei, and Mr. Wei Benqiang, with Ms. Wu Xiaoliang serving as the chairman of the Remuneration and Appraisal Committee.

Strategy Committee

The Company has established the Strategic Committee and formulated its written terms of reference. The Strategic Committee is primarily responsible for studying the long-term development strategies and major investments of the Company, and for submitting recommendations to the Board. The Strategic Committee consists of three members, namely Mr. Zhang Liaoyuan, Mr. Pan Daowei, and Mr. Wu Sheng, with Mr. Zhang Liaoyuan serving as the chairman of the Strategic Committee.

CORPORATE GOVERNANCE CODE

We aim to implement a high standard of corporate governance, which we believe is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 of the Listing Rules after the **[REDACTED]**, save that Mr. Zhang will serve as both our chairman and general manager as discussed below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Hong Kong Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and general manager and Mr. Zhang currently performs these two roles. The Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired, and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the general manager of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole.

BOARD DIVERSITY

To enhance the efficiency of the Board and maintain a high level of corporate governance, we consider multiple factors when selecting Board candidates, including but not limited to gender, skills, age, professional experience, cultural background, educational background, and years of service, in order to achieve diversity among Board members. The ultimate decision on appointments will be based on the merits of the candidate and the contributions they will bring to the Board.

Our Board currently comprises one female Director and seven male Directors. Our Directors possess a balanced mix of knowledge and skills, encompassing overall management and strategic development, law, finance and accounting, as well as industry experience pertinent to the operations and businesses of the Group. They hold degrees in various fields, including accounting, computer science, law, and management. This diverse academic background allows the Board to tackle challenges and seize opportunities from multiple perspectives, fostering innovative solutions and developing comprehensive strategies. We have four independent non-executive Directors with diverse industry backgrounds, accounting for over one-third of the Board members. Moreover, our board includes representatives of diverse ages and genders. Considering our existing business model, specific needs, and the diverse backgrounds of our Directors, the composition of our Board conforms to our board diversity policy.

The Nomination Committee is responsible for reviewing the structure and diversity of the Board, as well as selecting individuals nominated for directorship. The Nomination Committee will regularly monitor and evaluate the implementation of the Board's diversity policy to ensure its continued effectiveness, and make any necessary revisions as required. It will also recommend any such amendments to the Board for its consideration and approval. Additionally, the Nomination Committee will include a summary of the Board's diversity policy in the annual report.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The Company provides remuneration to Directors, and senior management in the form of salaries, allowances, and in-kind benefits, as well as performance bonuses and pension contributions. The independent non-executive Directors of the Company receive remuneration based on their respective positions and responsibilities.

The aggregate amount of remuneration paid to the Directors for each of the years ended December 31, 2022, 2023 and 2024 amounted to RMB24.4 million, RMB17.4 million and RMB13.9 million.

The aggregate amount of remuneration paid to the five highest paid individuals (including Directors) for each of the years ended December 31, 2022, 2023 and 2024 amounted to RMB25.9 million, RMB20.7 million and RMB16.4 million.

The remuneration of Directors, and senior management is determined based on industry salary levels, job responsibilities, and performance, as well as the annual operating conditions of the Company. Based on the currently effective arrangements, the Company estimates that the total pre-tax remuneration payable to Directors for the year ending December 31, 2025, will be approximately RMB13.9 million.

During the Track Record Period, no remuneration was paid to any of the Directors or the five highest paid individuals as an incentive to join the Group or upon joining. During the Track Record Period, no Director, former Director, or any of the five highest paid individuals received or was due to receive any remuneration for the loss of their directorship in any member of the Group or any other position related to the management of the affairs of any member of the Group. During the Track Record Period, no Director waived their remuneration. Save as disclosed above, during the Track Record Period, the Group did not pay or owe any other amounts to Director sor the five highest paid individuals.

COMPLIANCE ADVISER

The Company has appointed Gram Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise the Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, the sale or transfer of treasury shares, and share repurchases;

(c) where the Company proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this Document or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this Document; and

(d) where the Hong Kong Stock Exchange makes an inquiry to the 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.

The term of appointment of the Compliance Adviser shall commence on the **[REDACTED]** and is expected to end on 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 commencing after the **[REDACTED]** and such appointment may be subject to extension by mutual agreement.

FUTURE PLANS

For a detailed description of our future plans, see "Business — Development Strategies."

USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the midpoint of the range of the **[REDACTED]** stated in this Document), we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses in connection with the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). We intend to use our **[REDACTED]** for the purposes and in the amounts set forth below.

- Approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used to strengthen our supply chain. We plan to establish new supply chain bases and expand our in-house production capacity through construction of multi-category production lines in various major integrated bases. In particular, we plan to establish seven new processing factories in Eastern China, four new processing factories in Northern China four new processing factories in Southwestern China and six new processing factories in Southern China. Outside of China, we plan to set up one factory in Vietnam to leverage our economies of scale and cost advantage by sourcing raw materials and engaging international cooperation.

- Approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used to strengthen our sales network brand awareness, including

  o approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for raising our brand awareness on various online channels. In particular, we plan to increase our spending on (i) advertisement on short video platforms such as Douyin and Kuaishou to strengthen our brand awareness, and leverages the increased viewership and awareness to accelerate our product testing; and (ii) advertisement on e-commerce platforms to promote our new products that are proven to be popular on other channels.

  o approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for raising our brand awareness on various offline channels. In particular, we plan to (i) host various offline promotional activities and place offline advertisements to raise our brand awareness and attract distributors; and (ii) cooperate with large-scale retailers and key distributors for prominent placing of our products and promptional materials.

  - o approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for strengthening our offline store network. In particular, we plan to (i) establish flagship and model shops in prominent locations to strengthen our brand momentum and attract more franchisees; and (ii) provide support for our Three Squirrels and Aizhekou franchisees, including store-opening marketing and advertisement support, franchisee tutoring program and performance bonuses to attract more franchisees.

- Approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used to broaden or product portfolio and brand matrix, including:

  - o approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used to (i) strengthen our consumer insights through surveys and market data research; and (ii) engage in research and development together with our suppliers to expand into new product categories.

  - o approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for promotion and advertisement as part of our brand incubation efforts for high potential segments such as pet food, beverage and convenient instant meals.

- Approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for strategic alliances and acquisitions in our industry value chain. We plan to explore direct sourcing partnerships for upstream raw materials as well as downstream chain retailers, and mergers and acquisitions of regional food processing enterprises in order to strengthen our control over key segments of the value chain. As of the Latest Practicable Date, we had not identified any targets for any significant investments or acquisitions in the near future.

- Approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for working capital and other 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. We intend to apply the additional or reduced net **[REDACTED]** to the above uses on a pro rata basis.

The additional net **[REDACTED]** that we would receive if the **[REDACTED]** were exercised in full would be (i) HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the maximum **[REDACTED]** of the indicative **[REDACTED]** range), (ii) HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range) and (iii) HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the minimum **[REDACTED]** of the indicative **[REDACTED]** range). We intend to apply the additional net **[REDACTED]** to the above uses on a pro rata basis.

To the extent that the net **[REDACTED]** of the **[REDACTED]** are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

In preparation of the **[REDACTED]**, our Company has sought the following waivers from strict compliance with the Listing Rules and exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 and Rule 19A.15 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. The Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole. Therefore, our Company does not, and does not contemplate in the foreseeable future that we will, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

(i) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange. At present, our two authorised representatives are Mr. Pan Daowei, our executive Director, and Mr. Lyu Jinqing, our joint company secretary;

(ii) pursuant to Rule 3.20 of the Listing Rules, each Director will provide their contact information to the Stock Exchange and to the authorised representatives. This will ensure that the Stock Exchange and the authorised representatives should have means for contacting all Directors promptly at all times as and when required;

(iii) we will endeavour to ensure that 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; and

(iv) pursuant to Rule 3A.19 of the Listing Rules, we have retained the services of Gram Capital Limited as the Compliance Adviser, who will act as an additional channel of communication with the Stock Exchange. We will ensure that the Compliance Adviser will have access at all times to our authorised representatives, our Directors and other officers. We shall also ensure that such persons will promptly provide such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorised representatives, our Directors, and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our Company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experiences, is, in the opinion of the Stock Exchange, capable of discharging the functions of our 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); and

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

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

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

(ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, 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.

Our Company has appointed Mr. Lyu Jinqing as one of the joint company secretaries of our Company. Mr. Lyu Jinqing joined the Group in April 2019. He currently also holds the position of the securities affairs representative of our Company. See "Directors and Senior Management" for further biographical details of Mr. Lyu Jinqing. Although Mr. Lyu Jinqing does not possess the qualifications set out in Rule 3.28 of the Listing Rules, our Company believes that it would be in the best interests of our Company and the corporate governance of the Group to have Mr. Lyu

Jinqing as its joint company secretary who is familiar with the Group's internal operation and management and possesses professional knowledge and experience in handling corporate governance and compliance, legal affairs and public relationship related matters. Our Company has also appointed Ms. Nelly Au-Yeung (歐陽麗妮) to act as the other joint company secretary to assist Mr. Lyu Jinqing in discharging the duties of a company secretary of our Company. Ms. Nelly Au-Yeung is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and is therefore qualified under Rule 3.28 of the Listing Rules to act as a joint company secretary of our Company. See "Directors and Senior Management" for further biographical details of Ms. Nelly Au-Yeung.

Since Mr. Lyu Jinqing does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, our Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a period of three years since the **[REDACTED]** on the following conditions: (i) Mr. Lyu Jinqing must be assisted by Ms. Nelly Au-Yeung 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 our Company.

In support of the waiver application, our Company has adopted, or will adopt the following arrangements:

(i) in preparation of the application of the **[REDACTED]**, Mr. Lyu Jinqing has attended training on the respective obligations of the Directors, senior managements and our Company under the relevant Hong Kong laws and the Listing Rules organised by the Hong Kong legal advisers to our Company.

(ii) Ms. Nelly Au-Yeung will work closely with Mr. Lyu Jinqing to jointly discharge the duties and responsibilities as the joint company secretaries of our Company and to assist Mr. Lyu Jinqing to acquire the relevant experience as required under the Listing Rules for an initial period of three years from the **[REDACTED]**, a period which should be sufficient for Mr. Lyu Jinqing to acquire the relevant experience as required under the Listing Rules.

(iii) Our Company will ensure that Mr. Lyu Jinqing continues to have access to the relevant training and support in relation to the Listing Rules and the duties required for a company secretary of an issuer listed on the Stock Exchange. Furthermore, Mr. Lyu Jinqing will seek advice from our Company's Hong Kong legal and other professional advisers as and when required. Mr. Lyu Jinqing also undertakes to take no less than 15 hours of relevant professional training in each financial year of our Company.

(iv) At the end of the three-year period, the qualifications and experience of Mr. Lyu Jinqing and the need for on-going assistance of Ms. Nelly Au-Yeung will be further evaluated by our Company. Our Company will then endeavour to demonstrate to the Stock Exchange's satisfaction that Mr. Lyu Jinqing, having had the benefit of the assistance of Ms. Nelly Au-Yeung for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. Our Company understands that the Stock Exchange may revoke the waiver if Ms. Nelly Au-Yeung ceases to provide assistance to Mr. Lyu Jinqing during the three-year period.

Prior to the expiry of the three-year period, our Company will liaise with the Stock Exchange to enable it to assess whether Mr. Lyu Jinqing has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

WAIVER AND EXEMPTION IN RESPECT OF THE 2024 STOCK OPTION INCENTIVE PLAN

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribe certain disclosure requirements in relation to the share options granted by our Company (the "**ESOP Disclosure Requirements**"):

(a) Rule 17.02(1)(b) of the Listing Rules stipulates that all material terms of a scheme must be clearly set out in this Document. Our Company is also required to disclose in this Document full details of all outstanding options and their potential dilution effect on the shareholdings upon **[REDACTED]** as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options;

(b) Paragraph 27 of Appendix D1A to the Listing Rules requires our Company to set out in this Document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee; and

(c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to disclose, amongst others, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the Document.

Pursuant to paragraphs 6 to 7 of Chapter 3.6 of the Guide for New Listing Applicants, the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

As of the Latest Practicable Date, our Company had granted outstanding options under the 2024 Stock Option Incentive Plan to 92 grantees who are employees of our Group, to subscribe for an aggregate of 2,119,600 A Shares. The Shares underlying the granted options represent **[REDACTED]**% of the total number of Shares in **[REDACTED]** immediately after completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**). None of the grantees is a Director, senior management or connected person of our Company. For details of the 2024 Stock Option Incentive Plan which involve the issuance of new A Shares, see section headed "Appendix IV — Statutory and General Information — Share Schemes" in this Document.

We have applied to: (i) the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, respectively, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company and the exemption would not prejudice the interests of the investing public for the following reasons:

(a) given that 92 grantees (who are not Directors, members of the senior management or connected persons of the Company) are involved for the granting of outstanding options, strict compliance with such disclosure requirements in setting out full details of all the grantees under the 2024 Stock Option Incentive Plan in this Document would be costly and unduly burdensome for us in light of a significant increase in cost and timing for information compilation and **[REDACTED]** preparation. For example, we would need to collect and verify the addresses of a large number of grantees to meet the disclosure requirement;

(b) the grant and exercise in full of the options under the 2024 Stock Option Incentive Plan will not cause any material adverse impact to the financial position of our Group. The 92 grantees who are not Directors, members of the senior management or connected persons of our Company have been granted options to acquire an aggregate of 2,119,600 A Shares, representing **[REDACTED]**% of the total number of Shares in **[REDACTED]** immediately after completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), which is not material in the circumstances of our Company;

(c) there will not be any new H Shares issued under the 2024 Stock Option Incentive Plan as the foregoing plan is an A-share incentive scheme;

(d) non-compliance with the above disclosure requirements would not prevent us from providing our potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

(e) material information relating to the Shares under the 2024 Stock Option Incentive Plan has been disclosed in this Document to provide prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options in making their investment decision, and such information includes:

(i) a summary of the terms of the 2024 Stock Option Incentive Plan;

(ii) the aggregate number of Shares subject to the options and the percentage to our total issued share capital represented by such number of Shares;

(iii) the dilutive effect and the impact on earnings per Share upon full exercise of the options immediately following completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**);

(iv) full details of the options granted by our Company to Directors, members of senior management and connected persons of our Company (if any), on an individual basis, are disclosed in this Document, and such details include all the particulars required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part 1 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(v) in respect of the options under the 2024 Stock Option Incentive Plan granted to remaining grantees (being the other grantees who are not our Directors, senior management or connected persons of our Company), disclosure will be made, on an aggregate basis, including (1) their aggregate number of grantees and number of Shares underlying the options under the 2024 Stock Option Incentive Plan, (2) the consideration (if any) paid for the grant of the options under the 2024 Stock Option Incentive Plan, and (3) the exercise period of the options and the exercise price of the options granted under the 2024 Stock Option Incentive Plan; and

(vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, respectively.

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the applicable ESOP Disclosure Requirements on the conditions that:

(i) on an individual basis, full details of the options under the 2024 Stock Option Incentive Plan granted by our Company to each of our Directors, members of senior management and connected persons of our Company (if any), will be disclosed in the section headed "Appendix IV — Statutory and General Information — Share Schemes" as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(ii) in respect of the options under the 2024 Stock Option Incentive Plan granted to remaining grantees (being the other grantees who are not our Directors, senior management or connected persons of our Company), disclosure will be made, on an aggregate basis, including (1) their aggregate number of grantees and number of Shares underlying the options under the 2024 Stock Option Incentive Plan, (2) the consideration (if any) paid for the grant of the options under the 2024 Stock Option Incentive Plan, and (3) the exercise period of the options and the exercise price of the options granted under the 2024 Stock Option Incentive Plan;

(iii) aggregate number of Shares underlying the options granted under the 2024 Stock Option Incentive Plan and the percentage to our total issued share capital represented by such number of Shares as of the Latest Practicable Date;

(iv) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the 2024 Stock Option Incentive Plan will be disclosed in the section headed "Appendix IV — Statutory and General Information — Share Schemes";

(v) a summary of the major terms of the 2024 Stock Option Incentive Plan will be disclosed in the section headed "Appendix IV — Statutory and General Information — Share Schemes";

(vi) a full list of all the grantees with outstanding options under the 2024 Stock Option Incentive Plan containing all the particulars as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection" in Appendix V to this Document;

(vii) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(viii) the particulars of the waiver will be disclosed in this Document.

We have applied for, and the SFC [has granted], a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(i) on an individual basis, full details of the options under the 2024 Stock Option Incentive Plan granted by our Company to each of our Directors, members of senior management of the Group and connected persons of our Company (if any), will be disclosed in the section headed "Appendix IV — Statutory and General Information — Share Schemes" as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(ii) in respect of the options under the 2024 Stock Option Incentive Plan granted to remaining grantees (being the other grantees who are not our Directors, senior management or connected persons of our Company), disclosure will be made, on an aggregate basis, including (1) their aggregate number of grantees and number of Shares underlying the options under the 2024 Stock Option Incentive Plan, (2) the consideration (if any) paid for the grant of the options under the 2024 Stock Option Incentive Plan, and (3) the exercise period of the options and the exercise price of the options granted under the 2024 Stock Option Incentive Plan;

(iii) a full list of all the grantees with outstanding options under the 2024 Stock Option Incentive Plan, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection" in Appendix V to this Document; and

(iv) the particulars of the exemption will be disclosed in this Document which will be issued on or before **[REDACTED]** 2025.

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The following is the text of a report set out on pages [I-1] to [I-[●]], received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF THREE SQUIRRELS INC. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of 三隻松鼠股份有限公司 (Three Squirrels Inc.) (the"Company") and its subsidiaries (together, the "Group") set out on pages [I-3] to [I-84], which comprises the consolidated statements of financial position of the Group as at December 31, 2022, 2023 and 2024, the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2022, 2023 and 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-3] to [I-84] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the initial **[REDACTED]** of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 set out in note [3] to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (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' judgment, 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 set out in note [3] 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 of the Company, 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 purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at December 31, 2022, 2023 and 2024, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong

[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of 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, have been prepared in accordance with IFRS Accounting Standards issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Group

	NOTES	Year ended December 31, 2022 RMB'000	2023 RMB'000	2024 RMB'000
Revenue	5	7,293,158	7,114,576	10,622,053
Cost of sales		(5,379,964)	(5,499,887)	(8,096,410)
Gross profit		1,913,194	1,614,689	2,525,643
Other income	6	162,400	207,326	157,540
Other gains and losses, net	7	11,584	2,041	3,638
Impairment losses (recognized)/reversed under expected credit loss ("ECL") model, net	8	(4,150)	5,063	(1,614)
Distribution and selling expenses		(1,532,842)	(1,237,517)	(1,867,665)
Administrative expenses		(298,882)	(243,385)	(244,283)
Research and development costs		(38,439)	(24,919)	(28,390)
Finance costs	9	(13,494)	(10,071)	(9,317)
Share of results of associates		1,121	409	1,817
Profit before taxation		200,492	313,636	537,369
Income tax expense	10	(71,092)	(93,847)	(129,896)
Profit for the year	11	129,400	219,789	407,473
Profit/(loss) attributable to:				
— Owners of the Company		129,400	219,789	407,736
— non-controlling interests		—	—	(263)
		129,400	219,789	407,473
Total comprehensive income for the year		129,400	219,789	407,473
Total comprehensive income/(expense) attributable to:				
— Owners of the Company		129,400	219,789	407,736
— non-controlling interests		—	—	(263)
		129,400	219,789	407,473
Earnings per share, in RMB:				
Basic	13	0.32	0.55	1.02
Diluted	13	0.32	0.55	1.02

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Group

	NOTES	As at December 31, 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Non-current Assets				
Property, plant and equipment	15	827,784	824,082	955,455
Right-of-use assets	16	213,714	179,201	191,508
Intangible assets	17	5,009	11,445	13,346
Interests in associates	18	6,385	21,245	24,602
Deferred tax assets	20	109,078	136,441	158,585
Prepayments for long-lived assets and acquisitions	22	57,140	43,302	172,888
Other financial assets		—	—	2,133
		1,219,110	1,215,716	1,518,517
Current Assets				
Inventories	21	1,071,018	1,387,640	2,083,456
Trade and other receivables, deposits and prepayments	22	669,859	1,008,497	1,101,169
Income tax recoverable		41,451	195	8,427
Financial assets at fair value through profit or loss ("FVTPL")	23	20,243	19,629	—
Other financial assets		—	170,048	11,407
Time deposits	24	1,364,983	1,445,785	1,230,464
Restricted bank balances	25	10,039	13,117	12,328
Cash and cash equivalents	25	139,443	282,439	800,926
		3,317,036	4,327,350	5,248,177
Current Liabilities				
Trade and other payables	26	1,471,125	2,050,012	2,921,680
Contract liabilities	27	260,781	295,416	348,390
Refund liabilities	28	2,545	3,055	5,767
Income tax payable		25,895	42,959	43,996
Borrowings	29	50,672	354,652	434,510
Lease liabilities	30	34,754	14,175	27,555
		1,845,772	2,760,269	3,781,898
Net Current Assets		1,471,264	1,567,081	1,466,279
Total Assets Less Current Liabilities		2,690,374	2,782,797	2,984,796

	NOTES	As at December 31, 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Non-current Liabilities				
Deferred tax liabilities	*20*	61	—	—
Borrowings	*29*	199,000	125,000	—
Provisions		864	—	—
Lease liabilities — due after one year	*30*	73,808	65,824	65,187
Deferred income	*33*	72,897	78,105	84,627
		346,630	268,929	149,814
Net Assets		2,343,744	2,513,868	2,834,982
Capital and Reserves				
Share capital	*31*	401,000	401,000	401,000
Reserves		1,942,744	2,112,868	2,425,915
Equity attributable to owners of the Company		2,343,744	2,513,868	2,826,915
Non-controlling interests		—	—	8,067
Total Equity		2,343,744	2,513,868	2,834,982

STATEMENTS OF FINANCIAL POSITION

The Company

	NOTES	As at December 31, 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Non-current Assets				
Property, plant and equipment	*15*	83,454	74,088	78,527
Right-of-use assets	*16*	16,082	15,694	15,305
Intangible assets	*17*	5,001	9,091	6,536
Interests in associates	*18*	6,388	20,221	22,133
Interests in subsidiaries	*19*	379,640	493,306	680,765
Deferred tax assets	*20*	14,775	19,132	32,399
Prepayments for long-lived assets	*22*	734	486	8,296
Other financial assets		—	—	2,133
		506,074	632,018	846,094
Current Assets				
Inventories	*21*	155,494	74,162	146,221
Trade and other receivables, deposits and prepayments	*22*	1,566,153	1,954,106	4,282,531
Income tax recoverable		26,324	—	7,871
Financial assets at FVTPL	*23*	20,243	19,629	—
Other financial assets		—	170,048	11,407
Time deposits	*24*	1,364,983	1,343,067	1,124,587
Restricted bank balances	*25*	9,304	10,100	9,477
Cash and cash equivalents	*25*	76,282	111,680	374,428
		3,218,783	3,682,792	5,956,522
Current Liabilities				
Trade and other payables	*26*	1,568,370	2,309,164	4,760,489
Contract liabilities	*27*	202,573	23,597	20,631
Refund liabilities	*28*	2,479	2,799	5,361
Income tax payable		—	2,732	—
		1,773,422	2,338,292	4,786,481
Net Current Assets		1,445,361	1,344,500	1,170,041
Total Assets Less Current Liabilities		1,951,435	1,976,518	2,016,135

	NOTES	As at December 31, 2022 RMB'000	2023 RMB'000	2024 RMB'000
Non-current Liabilities				
Deferred tax liabilities	20	61	—	—
Deferred income	33	17,839	26,186	36,331
		17,900	26,186	36,331
Net Assets		1,933,535	1,950,332	1,979,804
Capital and Reserves				
Share capital	31	401,000	401,000	401,000
Reserves	32	1,532,535	1,549,332	1,578,804
Equity attributable to owners of the Company		1,933,535	1,950,332	1,979,804
Total Equity		1,933,535	1,950,332	1,979,804

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	Capital reserve	Shares acquired for share award schemes	Surplus reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000 *(Note a)*	RMB'000 *(Note b)*	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	401,000	412,185	—	146,067	1,298,666	2,257,918	—	2,257,918
Profit and total comprehensive income for the year	—	—	—	—	129,400	129,400	—	129,400
Recognition of share-based payments	—	56,977	—	—	—	56,977	—	56,977
Share repurchased	—	—	(9,995)	—	—	(9,995)	—	(9,995)
Dividends recognized as distribution	—	—	—	—	(90,556)	(90,556)	—	(90,556)
Transfer	—	—	—	1,425	(1,425)	—	—	—
At December 31, 2022	401,000	469,162	(9,995)	147,492	1,336,085	2,343,744	—	2,343,744
Profit and total comprehensive income for the year	—	—	—	—	219,789	219,789	—	219,789
Recognition of share-based payments	—	44,671	—	—	—	44,671	—	44,671
Share repurchased	—	—	(30,014)	—	—	(30,014)	—	(30,014)
Dividends recognized as distribution	—	—	—	—	(64,322)	(64,322)	—	(64,322)
Transfer	—	—	—	6,646	(6,646)	—	—	—
At December 31, 2023	401,000	513,833	(40,009)	154,138	1,484,906	2,513,868	—	2,513,868
Profit/(loss) and total comprehensive income/(expense) for the year	—	—	—	—	407,736	407,736	(263)	407,473
Recognition of share-based payments	—	35,816	—	—	—	35,816	—	35,816
Transfer of capital reserve upon share awards granted	—	(14,961)	34,696	—	—	19,735	—	19,735
Dividends recognized as distribution	—	—	—	—	(150,245)	(150,245)	—	(150,245)
Transfer	—	—	—	12,417	(12,417)	—	—	—
Contribution from non-controlling interests	—	—	—	—	—	—	8,330	8,330
Other	—	5	—	—	—	5	—	5
At December 31, 2024	401,000	534,693	(5,313)	166,555	1,729,980	2,826,915	8,067	2,834,982

Notes:

(a) Capital reserve represented share premium and other reserves including share-based payments reserves.

(b) The surplus reserve represents the amount transferred from net profit for the year of the Company which was established in the People's Republic of China (the "PRC") in accordance with the relevant PRC laws until the statutory surplus reserve reaches 50% of the registered capital of the Company. The statutory surplus reserve cannot be reduced except either use to set off the accumulated losses or increase share capital.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before taxation	200,492	313,636	537,369
Adjustments for:			
Interest income	(53,229)	(50,953)	(44,303)
Finance costs	13,494	10,071	9,317
Fair value change of financial assets at FVTPL	(4,584)	(5,399)	(5,133)
Impairment losses recognized/(reversed) under ECL model, net	4,150	(5,063)	1,614
Impairment losses on property, plant and equipment	176	8,128	2,610
Depreciation of property, plant and equipment	71,534	62,075	91,827
Depreciation of right-of-use assets	83,804	28,559	23,981
Amortization of intangible assets	2,217	4,214	5,239
Loss/(gain) on disposal of property, plant and equipment	1,265	(118)	(2,188)
(Gain)/loss on early termination of right-of-use assets	(7,355)	1,109	—
Allowance for inventories	3,014	6,163	17,363
Release from government grants in relation to assets	(3,114)	(7,698)	(7,779)
Share of results of associates	(1,121)	(409)	(1,817)
Share-based payments	56,977	44,671	35,816
Operating cash flows before movements in working capital	367,720	408,986	663,916
Decrease/(increase) in inventories	597,847	(323,436)	(714,772)
Increase in trade and other receivables, deposits and prepayments	(189,081)	(332,775)	(95,086)
Decrease/(increase) in restricted bank balances	233	(3,078)	789
(Decrease)/increase in trade and other payables	(310,283)	578,887	821,577
Increase in contract liabilities	14,308	34,635	52,974
Increase in refund liabilities	1,395	510	2,712
Decrease in provisions	(1,560)	(864)	—
(Decrease)/increase in deferred income	(17,879)	306	1,701
Cash generated from operations	462,700	363,171	733,811
Income taxes paid	(119,745)	(62,951)	(159,235)
NET CASH FROM OPERATING ACTIVITIES	342,955	300,220	574,576

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
INVESTING ACTIVITIES			
Interest received	21,426	50,103	55,632
Purchase of financial assets at FVTPL	(2,751,800)	(2,613,900)	(563,300)
Redemption of financial assets at FVTPL	2,736,141	2,619,913	588,062
Purchase of other financial assets	(29,000)	(1,020,400)	(2,210,600)
Redemption of other financial assets	53,978	850,400	2,367,100
Proceeds from government grant	8,060	12,600	12,600
Proceeds of disposal of property, plant and equipment	929	695	3,824
Purchases of property, plant and equipment	(162,221)	(52,846)	(276,797)
Purchases of intangible assets	(1,489)	(11,044)	(7,375)
Prepayment for acquisitions	—	—	(80,000)
Investments in associates	—	(15,600)	(1,000)
Dividend received from associates	1,000	1,000	1,858
Placement of time deposits	(290,000)	(720,000)	(260,000)
Withdrawal of time deposits	287,420	640,000	464,000
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(125,556)	(259,079)	94,004
FINANCING ACTIVITIES			
Additions of borrowings	970,000	1,430,000	1,100,000
Repayment of borrowings	(1,220,000)	(1,200,000)	(1,145,000)
Proceeds from non-controlling interests	—	—	8,330
Repurchase of shares	(9,995)	(30,014)	—
Proceeds from share awards granted	—	—	19,735
Dividend paid	(90,556)	(64,322)	(100,154)
Repayment of lease liabilities	(71,597)	(23,718)	(23,545)
Interest paid	(13,542)	(10,091)	(9,459)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(435,690)	101,855	(150,093)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(218,291)	142,996	518,487
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	357,734	139,443	282,439
Effect of foreign exchange rate changes	—	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY			
Bank balances and cash	139,443	282,439	800,926

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the PRC in 2012 as a limited liability company under the Company Law of the PRC. On July 12, 2019, the Company's shares, with a nominal value of RMB1.00 each, were listed on the Shenzhen Stock Exchange and traded in RMB ("A Share"). The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Document.

The statutory financial statements of the Company for each of the years ended December 31, 2022, 2023 and 2024 were prepared in accordance with Chinese Accounting Standards for Business Enterprises ("CASBE") and were audited by Da Hua Certified Public Accountants LLP., a certified public accountants registered in the PRC for years ended December 31, 2022, 2023 and 2024.

The Group engages in the businesses of manufacturing and sales of snack food products.

2. APPLICATION OF IFRS ACCOUNTING STANDARDS

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied IFRS Accounting Standards, which are effective for the accounting period beginning on January 1, 2024, throughout the Track Record Period.

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

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after January 1, 2025
3 Effective for annual periods beginning on or after January 1, 2026
4 Effective for annual periods beginning on or after January 1, 2027

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace IAS 1. The new IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss and other comprehensive income; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 and IAS 33 are also made.

IFRS 18 will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the Group's consolidated financial statements.

Except as described above, the directors of the Company consider that the application of all the amendments to IFRS Accounting Standards is unlikely to have a material impact on the Group's financial position and performance in foreseeable future.

3. BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of historical financial information

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Material accounting policy information

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

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

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

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

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

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

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

Investment in subsidiaries

Investment in subsidiaries is stated in the statements of financial position of the Company at cost less any identified impairment loss.

Investments in associates

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

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

An investment in an associate of the Group and the Company is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

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

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

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Historical Financial Information only to the extent of interests in the associate that are not related to the Group.

Property, plant and equipment

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

Buildings and machinery in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in notes 5, 27 and 28.

Impairment on property, plant and equipment, right-of-use assets and other non-current assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets and other non-current assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit ("CGU")) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. An impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term deposits (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 25.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Leases

Definition of a lease

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

Allocation of consideration to components of leases

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

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any indirect cost incurred by the Group.

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

Right-of-use assets are depreciated on a straight-line basis over the lease term.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

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

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (capital reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital reserve.

When share options are exercised, the amount previously recognized in capital reserve will be transferred to share capital of the new share issued. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in capital reserve will continue to be held in capital reserve.

When shares award granted are vested, the amount previously recognized in capital reserve will continue to be held in capital reserve.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized.

Taxation

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

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

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

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

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

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

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

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

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

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

Current and deferred tax are recognized in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. All other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and accumulated under the heading of reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net fair value gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in profit or loss.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, time deposits, other financial assets, restricted bank balances, cash and cash equivalents and financial guarantee contracts) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Lifetime ECL for trade receivables which are not credit-impaired are considered on a collective basis taking into consideration debtors' aging information and relevant credit information such as forward looking macroeconomic information. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Lifetime ECL for certain trade receivables and other receivables which are credit-impaired are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status; and

- Nature of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the equity without reducing the carrying amount of these debt instruments. Such amount represents the changes in the equity in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the equity is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortized cost

Financial liabilities of the Group (including trade and other payables and borrowings) are subsequently measured at amortized cost, using effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognized less, where appropriate, cumulative amortization recognized over the guarantee period.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Provision of ECL for trade receivables

Trade receivables with credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at December 31, 2022, 2023 and 2024, the carrying amounts of trade receivables are RMB394,165,000, RMB594,043,000 and RMB560,018,000, net of allowance of RMB2,946,000, RMB3,653,000 and RMB3,686,000, respectively.

The information about the ECL and the Group's trade receivables are disclosed in notes 22 and 40.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from sale of snack food products net of return during the Track Record Period.

Disaggregation of revenue

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Sales of goods			
Nuts	4,107,308	3,812,385	5,366,197
Snack mixes	872,663	1,090,114	2,017,415
Baked goods	1,134,370	1,085,802	1,501,191
Meat products	696,340	599,793	960,785
Dried fruits	338,086	349,867	582,486
Others	117,424	162,686	188,611
Licensing fee	26,967	13,929	5,368
Total	7,293,158	7,114,576	10,622,053
Timing of revenue recognition			
At a point in time	7,266,191	7,100,647	10,616,685
Over time	26,967	13,929	5,368
	7,293,158	7,114,576	10,622,053
Geographical markets			
The PRC	7,292,777	7,114,576	10,621,356
Others	381	—	697
Total	7,293,158	7,114,576	10,622,053
Sales channels			
Direct sales via online platforms and sales to online platforms for reselling to consumers or for wholesale	5,164,330	5,250,883	7,406,906
Other channels, including offline distributors, wholesale customers and offline stores	2,128,828	1,863,693	3,215,147
Total	7,293,158	7,114,576	10,622,053

Performance obligations for contracts with customers

The Group sells a variety of food snacks including nuts, baked goods, meat products, snack mixes and dried fruits to the customers through online platforms and offline sales.

Direct sales to consumers via online platforms

For direct sales to consumers via online platforms, the performance obligation is satisfied upon the goods are accepted by consumers. Under the applicable laws and regulation in the PRC, consumers who purchase products online are entitled to unconditional right of return of the goods for a refund within a period of seven days from their acceptance. This gives rise to right of returned goods assets and refund liabilities. Expected value method is used to estimate the goods that will be returned to the Group as the management believes this method best predicts the amount of consideration to which the Group will be entitled.

Consumers usually pay through direct bank transfer or payment platforms upon the sales order is placed.

Sales to online platforms for reselling to consumers

The management of the Group has taken into account the following factors in determining the point of revenue recognition for sales to online platform for reselling to consumers, (i) pursuant to the terms of relevant sales contracts with online platforms (the "Sales Contract with Online Platform"), online platforms have unconditional rights to return goods purchased from the Group, even after their acceptance; and (ii) based on historical experience, once the consumers who purchase from online platform accepted the goods, it becomes highly unlikely that the online platform will return goods to the Group. As a result, the Group only recognizes revenue for sales made to online platforms for reselling to consumers when the Group's products are sold to, and accepted by, the consumers who purchase from these online platforms.

Pursuant to the Sales Contract with Online Platform, the Group also agrees to adjust downwards its final selling price proportionately for goods sold to the online platforms if the online platforms' eventual selling price to the consumers as compared to the Group's preliminary selling price does not reach a certain pre-agreed percentage mark up. If goods were sold by the online platforms to consumers at an eventual selling price exceeding the pre-agreed percentage mark up, the Group will collect consideration based on the preliminary selling price. Since the Group only recognizes revenue at the point when the goods were sold to, and accepted by, consumers, when the eventual selling price by the online platforms is known, the amount of revenue recognized has been constraint taking into account this price protection arrangement and the management considers it is highly probable that a significant reversal of revenue will not occur in the future.

Payments from online platforms are usually due within 30 to 45 days from acceptance of goods by the online platforms.

In addition, under the applicable laws and regulation in the PRC, consumers who purchase products online are entitled to unconditional right of return of the goods for a refund within a period of seven days from their acceptance. This gives rise to right of returned goods assets and refund liabilities. Expected value method is used to estimate the goods that will be returned to the Group as the management believes this method best predicts the amount of consideration to which the Group will be entitled.

Sale of goods to the distributors and wholesale customers

Revenue from the sale of goods to the distributors and wholesale customers is recognized at a point in time when the goods are delivered to the distributors and the wholesale customers' designated locations. The Group does not accept product returns or exchanges other than in the case of quality issues. Distributors and wholesale customers are normally required to pay in advance while some large wholesale customers are granted a credit term of 60 days. The advances received are recognized as contract liabilities.

Volume rebates may be provided to distributors once the quantity of products purchased during a period of time exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a liability for the expected future rebates is recognized. The Group recorded revenue of the contract consideration less the estimated rebates amount and recognized as an adjustment to contract liabilities.

Sales of goods through offline stores

Revenue from the sales of goods through offline stores are recognized at the point of time that the transactions take place. The Group do not accept product returns or exchanges other than in the case of quality issues for goods sold in offline stores. Customers usually make payment for the goods sold upon the transactions take place.

Licensing fee

Licensing fee is recognized over the license period.

Transaction price allocated to the remaining performance obligation for contracts with customers

The performance obligation under the contract for the sales of food snacks has original expected duration of less than one year and as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

Information reported to executive directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment. The accounting policies are the same as the Group's accounting policies. The CODM reviews the overall results and financial position of the Group as a whole. Therefore, the management considers that the Group only has one single operating and reportable segment.

Geographical information

The Group principally operates in the PRC, which is also the place of domicile. The Group's revenue is substantially all derived from operations in the PRC and the Group's non-current assets are substantially all located in the PRC.

Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Customer A	1,611,233	1,145,310	1,339,517

6. OTHER INCOME

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Government grants *(note)*	94,556	133,991	81,820
Interest income			
— time deposits	50,731	48,005	38,442
— bank balances	2,215	2,900	2,684
— others	283	48	3,177
Supplier quality compensation	10,481	14,296	29,410
Others	4,134	8,086	2,007
	162,400	207,326	157,540

Note:

During the years ended December 31, 2022, 2023 and 2024, the government grants include subsidies received to reward for the contribution by the subsidiaries to the local economic growth or for industry development support amounting to RMB71,511,000, RMB124,831,000 and RMB73,692,000, respectively which was recognized in the consolidated statement of profit or loss upon receipt of these rewards and the related conditions associated with the rewards are met, if any. There are no unfulfilled conditions or contingencies relating to these grants.

The remaining portion of government grants related to subsidies received for the investments in production facilities in the PRC which were recognized in the profit or loss over the useful lives of relevant assets as detailed in note 33.

7. OTHER GAINS AND LOSSES, NET

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
(Loss)/gain on disposal of property, plant and equipment	(1,265)	118	2,188
Gain/(loss) on early termination of right-of-use assets	7,355	(1,109)	—
Fair value change on financial assets at FVTPL	4,584	5,399	5,133
Net foreign exchange loss	(23)	(794)	(1,807)
Others	933	(1,573)	(1,876)
	11,584	2,041	3,638

8. IMPAIRMENT LOSSES (RECOGNIZED)/REVERSED UNDER ECL MODEL, NET

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Impairment loss (recognized)/reversed on, net			
— Trade receivables	(3,183)	(816)	(1,450)
— Other receivables	(967)	5,879	(164)
	(4,150)	5,063	(1,614)

9. FINANCE COSTS

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest on bank loans and other borrowings	6,301	6,114	5,662
Interest on lease liabilities	7,193	3,957	3,655
	13,494	10,071	9,317

10. INCOME TAX EXPENSE

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT"):			
Current tax	85,835	114,992	151,874
Under provision in prior years	7,806	6,279	166
	93,641	121,271	152,040
Deferred tax credit *(note 20)*	(22,549)	(27,424)	(22,144)
	71,092	93,847	129,896

During the Track Record Period, no provision for Hong Kong Profits Tax has been made as the Group does not have assessable profit which arises in, or derived from, Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period. Certain group entities operating in the PRC are eligible for certain tax concessions and were entitled to reduce partial PRC income taxes during the Track Record Period. For the year ended December 31, 2022, 2023 and 2024, 12, 15 and 28 group entities in the PRC were certified as "小型微利企業" small low-profit enterprises ("SLEs"). Group entities certified as SLEs enjoy a 75% reduction of taxable income and the preferential EIT rate of 20%.

安徽中創食品檢測有限公司 ("Anhui Zhongchuang Food Inspection Co. Ltd. ("**Zhongchuang Food Inspection**")") was accredited as a High-New Technology Enterprise by relevant authorities in the PRC with effect from October 2022 for a term of three years. According to the relevant rules and regulations, Zhongchuang Food Inspection is eligible to the reduced 15% EIT rate from 2022 to 2024.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Profit before taxation	200,492	313,636	537,369
Tax at the statutory income tax rate of 25%	50,123	78,409	134,342
Tax effect of income tax super deduction granted to subsidiaries for research and development costs	(518)	(999)	(1,115)
Tax effect of expenses not deductible for tax purpose *(note)*	17,919	12,291	7,881
Tax effect of income not taxable for tax purpose	(326)	(129)	(611)
Effect of tax concessionary rates granted to the PRC subsidiaries	(2,824)	1,219	(4,151)
Tax effect of tax losses and deductible temporary differences not recognized	46	111	1,017
Utilization of tax losses previously not recognized	(19)	(743)	—
Effect in opening deferred tax resulting from change in applicable tax rate	(772)	(4,732)	(1,348)
Under provision in prior years	7,806	6,279	166
Others	(343)	2,141	(6,285)
Income tax expense	71,092	93,847	129,896

Note: During the Track Record Period, expenses not deductible mainly included share-based payments expense which is not eligible for the tax deduction under the EIT Law.

11. PROFIT FOR THE YEAR

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit for the year has been arrived at after charging:			
Cost of inventories recognition as an expense include allowance for inventories of RMB3,014,000, RMB6,163,000 and RMB17,363,000 as of December 31, 2022, 2023, and 2024	5,003,093	4,995,317	7,340,882
Depreciation of property, plant and equipment	71,534	62,075	91,827
Depreciation of right-of-use assets	83,804	28,559	23,981
Amortization of intangible assets	2,217	4,214	5,239
Total depreciation and amortization	157,555	94,848	121,047
Less: capitalized in inventories	(18,622)	(33,292)	(45,661)
	138,933	61,556	75,386
Auditors' remuneration	1,550	1,650	2,100
Impairment losses recognized on property, plant and equipment included in cost of sales	176	8,128	2,610
Directors' remuneration	24,640	17,753	14,722
Other staffs' salaries and other benefits	406,115	340,898	385,456
Other staffs' share-based payments	40,453	35,119	30,774
Other staff's retirement benefit contributions	24,145	18,384	20,705
Total staff costs	495,353	412,154	451,657
Less: capitalized in inventories	(29,783)	(57,285)	(65,099)
	465,570	354,869	386,558

12. DIVIDENDS

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognized as distribution during the year:			
2023 Final — RMB25.1 cents (2023: 2022 final dividend RMB16.1 cents, 2022: 2021 final dividend RMB22.0 cents) per A Share	90,556	64,322	100,154
2024 Interim — RMB12.5 cents per A Share (2023: nil, 2022 nil)	—	—	50,091
	90,556	64,322	150,245

The 2024 Interim dividend was paid on January 24, 2025.

Subsequent to December 31, 2024, a final dividend in respect of the year ended December 31, 2024 of RMB12.5 cents per A Share in an aggregate amount of RMB50,091,000 has been proposed by the directors of the Company and is approved by the shareholders in the general meeting on April 21, 2025.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Earnings			
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to equity owners of the Company)	129,400	219,789	407,736

	Year ended December 31,		
	2022	2023	2024
Number of shares			
Number of ordinary shares per register	401,000,000	401,000,000	401,000,000
Adjustments for:			
— Shares repurchased for share award schemes	(73,929)	(1,383,597)	(1,081,572)
Weighted average number of ordinary shares for the purpose of basic earnings per share	400,926,071	399,616,403	399,918,428
Effect of dilutive potential ordinary shares:			
— Share-based payments *(note)*	—	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	400,926,071	399,616,403	399,918,428
Basic earnings per share (in RMB/per share)	0.32	0.55	1.02
Diluted earnings per share (in RMB/per share)	0.32	0.55	1.02

Note: The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise prices of those options were higher than the average market price of the shares for the year ended December 31, 2022, 2023 and 2024.

14. DIRECTORS', SUPERVISORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid/payable to the individuals who were appointed as the directors, and supervisors and chief executive of the Company (including emoluments for the services as employees/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follow:

	Director's Fee	Salaries, allowance and benefits in kind	Performance related bonus	Contribution to retirement benefit scheme	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2022						
Executive directors						
Mr. Zhang *(note i)*	—	3,000	—	139	—	3,139
Mr. Yang Rongfeng *(note ii)*	—	—	—	—	—	—
Mr. Pan Daowei	—	1,100	—	77	4,131	5,308
Mr. Wu Bin *(note ii)*	—	734	—	77	4,131	4,942
Mr. Wei Benqiang	—	1,100	—	77	4,131	5,308
Mr. Guo Guangyu	—	1,136	—	102	4,131	5,369
	—	7,070	—	472	16,524	24,066
Independent non-executive directors						
Mr. Huang Zhongwei	120	—	—	—	—	120
Mr. Li Jingwu *(note iii)*	120	—	—	—	—	120
Mr. Wu Sheng	120	—	—	—	—	120
	360	—	—	—	—	360
Supervisors						
Mr. Hu Shaoyu	—	88	—	22	—	110
Mr. Su Jun *(note iv)*	—	1	—	—	—	1
Mr. Liu Congcong *(note iv)*	—	89	—	14	—	103
Mr. Li Feng *(note iv)*	—	—	—	—	—	—
	—	178	—	36	—	214
	360	7,248	—	508	16,524	24,640

	Director's Fee	Salaries, allowance and benefits in kind	Performance related bonus	Contribution to retirement benefit scheme	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2023						
Executive directors						
Mr. Zhang *(note i)*	—	3,170	—	84	—	3,254
Mr. Yang Rongfeng *(note ii)*	—	—	—	—	—	—
Mr. Pan Daowei	—	1,125	—	84	3,184	4,393
Mr. Wu Bin *(note ii)*	—	362	—	32	—	394
Mr. Wei Benqiang	—	1,200	—	84	3,184	4,468
Mr. Guo Guangyu	—	1,189	—	116	3,184	4,489
	—	7,046	—	400	9,552	16,998
Independent non-executive directors						
Mr. Huang Zhongwei	120	—	—	—	—	120
Mr. Li Jingwu *(note iii)*	120	—	—	—	—	120
Mr. Wu Sheng	120	—	—	—	—	120
	360	—	—	—	—	360
Supervisors						
Mr. Su Jun *(note iv)*	—	120	—	—	—	120
Mr. Hu Shaoyu	—	132	—	23	—	155
Mr. Liu Congcong *(note iv)*	—	100	—	20	—	120
	—	352	—	43	—	395
	360	7,398	—	443	9,552	17,753

	Director's Fee	Salaries, allowance and benefits in kind	Performance related bonus	Contribution to retirement benefit scheme	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2024						
Executive directors						
Mr. Zhang *(note i)*	—	3,725	—	88	—	3,813
Mr. Yang Rongfeng *(note ii)*	—	—	—	—	—	—
Mr. Pan Daowei	—	1,419	—	88	1,681	3,188
Mr. Wu Bin *(note ii)*	—	30	—	—	—	30
Mr. Wei Benqiang	—	1,560	—	88	1,681	3,329
Mr. Guo Guangyu	—	1,419	—	118	1,681	3,218
	—	8,153	—	382	5,043	13,578
Independent non-executive directors						
Mr. Huang Zhongwei	120	—	—	—	—	120
Mr. Wu Sheng	120	—	—	—	—	120
Ms. Wu Xiaoliang *(note iii)*	60	—	—	—	—	60
Mr. Li Jingwu *(note iii)*	40	—	—	—	—	40
	340	—	—	—	—	340
Supervisors						
Ms. Hu Shaoyu	—	139	—	23	—	162
Mr. Su Jun *(note iv)*	—	40	—	—	—	40
Ms. Liu Congcong *(note iv)*	—	27	—	6	—	33
Ms. Sun Fang *(note iv)*	—	363	—	35	—	398
Mr. Li Zengguang *(note iv)*	—	152	—	19	—	171
	—	721	—	83	—	804
	340	8,874	—	465	5,043	14,722

Notes:

(i) Mr. Zhang acts as chief executive of the Company and an executive director of the Company throughout the Track Record Period and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities.

(ii) The emoluments of Mr. Yang Rongfeng in relation to his services rendered for the Group were borne by a shareholder of the Company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation during the Track Record Period. Mr. Yang Rongfeng and Mr. Wu Bin resigned as executive directors on March 25, 2024.

(iii) Mr. Li Jingwu resigned as an independent non-executive director on April 25, 2024. Ms. Wu Xiaoliang was appointed as an independent non-executive director of the Company on April 25, 2024.

(iv) Mr. Li Feng resigned as a supervisor and the chairman of Supervisory Committee on December 28, 2022. The emoluments of Mr. Li Feng in relation to his services rendered for the Group were borne by a shareholder of the Company. Mr. Su Jun was appointed as supervisor on December 28, 2022. Mr. Su Jun and Ms. Liu Congcong resigned as supervisors on April 25, 2024. Mr. Li Zengguang was appointed as a supervisor of the Company on April 17, 2024. Ms. Sun Fang was appointed as a supervisor and the chairman of Supervisory Committee on December 17, 2024.

The discretionary bonus is determined based on the performance of individual and market trend during the Track Record Period.

During the years ended December 31, 2022, 2023 and 2024, the five highest paid individuals of the Group include 4, 4 and 4 directors, respectively. The remunerations of the remaining individual during the Track Record Period are set out below:

	Year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Employees			
— salaries and other benefits	655	570	684
— performance related bonus	159	280	390
— contributions to retirement benefit scheme	77	84	88
— share-based payments	4,131	3,184	1,681
	5,022	4,118	2,843

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended December 31,		
	2022	**2023**	**2024**
Hong Kong dollars ("HKD") 3,000,001 to HKD3,500,000	—	—	1
HKD4,500,001 to HKD5,000,000	—	1	—
HKD5,500,001 to HKD6,000,000	1	—	—

During the Track Record Period, no emoluments were paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors or supervisors waived any emoluments during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2022	497,370	65,112	117,214	17,834	90,915	206,781	995,226
Additions	(37)	31,434	28,556	6	2,826	68,117	130,902
Disposals	—	(43,165)	(6,718)	(1,217)	(6,181)	—	(57,281)
At December 31, 2022	497,333	53,381	139,052	16,623	87,560	274,898	1,068,847
Additions	(249)	24,454	28,761	268	4,577	9,267	67,078
Disposals	—	—	(1,182)	(1,835)	(7,973)	—	(10,990)
Transfer	—	23,834	—	—	—	(23,834)	—
At December 31, 2023	497,084	101,669	166,631	15,056	84,164	260,331	1,124,935
Additions	(17)	89,863	41,488	959	11,750	83,403	227,446
Disposals	(96)	—	(2,556)	(1,360)	(3,442)	(7,951)	(15,405)
Transfers	334,309	—	—	—	—	(334,309)	—
At December 31, 2024	831,280	191,532	205,563	14,655	92,472	1,474	1,336,976
DEPRECIATION AND IMPAIRMENT							
At January 1, 2022	71,768	43,048	37,071	14,094	58,459	—	224,440
Provided for the year	23,702	22,126	13,854	1,432	10,420	—	71,534
Eliminated on disposals	—	(43,165)	(4,855)	(1,178)	(5,889)	—	(55,087)
Impairment loss recognized	—	—	35	—	141	—	176
At December 31, 2022	95,470	22,009	46,105	14,348	63,131	—	241,063
Provided for the year	23,698	14,711	16,165	625	6,876	—	62,075
Eliminated on disposals	—	—	(1,092)	(1,756)	(7,565)	—	(10,413)
Impairment loss recognized	—	—	165	—	12	7,951	8,128
At December 31, 2023	119,168	36,720	61,343	13,217	62,454	7,951	300,853
Provided for the year	23,707	42,097	18,821	522	6,680	—	91,827
Eliminated on disposals	(31)	—	(1,234)	(1,329)	(3,224)	(7,951)	(13,769)
Impairment loss recognized	—	—	423	—	713	1,474	2,610
At December 31, 2024	142,844	78,817	79,353	12,410	66,623	1,474	381,521
CARRYING VALUES							
At December 31, 2022	401,863	31,372	92,947	2,275	24,429	274,898	827,784
At December 31, 2023	377,916	64,949	105,288	1,839	21,710	252,380	824,082
At December 31, 2024	688,436	112,715	126,210	2,245	25,849	—	955,455

The Company

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2022	95,959	7,601	29,576	11,131	28,915	—	173,182
Additions	—	3,084	10	—	732	—	3,826
Disposals	—	—	(3,022)	(349)	(1,809)	—	(5,180)
At December 31, 2022	95,959	10,685	26,564	10,782	27,838	—	171,828
Additions	—	1,331	—	—	2,152	—	3,483
Disposals	—	—	(408)	(1,365)	(1,908)	—	(3,681)
At December 31, 2023	95,959	12,016	26,156	9,417	28,082	—	171,630
Additions	—	778	8,779	933	5,127	—	15,617
Disposals	—	—	(138)	(77)	(1,695)	—	(1,910)
At December 31, 2024	95,959	12,794	34,797	10,273	31,514	—	185,337
DEPRECIATION AND IMPAIRMENT							
At January 1, 2022	28,049	3,769	16,891	8,112	22,229	—	79,050
Provided for the year	4,593	2,877	2,325	880	3,302	—	13,977
Eliminated on disposals	—	—	(2,661)	(328)	(1,734)	—	(4,723)
Impairment loss recognized	—	—	1	—	69	—	70
At December 31, 2022	32,642	6,646	16,556	8,664	23,866	—	88,374
Provided for the year	4,593	3,063	2,166	570	2,100	—	12,492
Eliminated on disposals	—	—	(355)	(1,297)	(1,838)	—	(3,490)
Impairment loss recognized	—	—	165	—	1	—	166
At December 31, 2023	37,235	9,709	18,532	7,937	24,129	—	97,542
Provided for the year	4,594	1,676	2,152	468	1,774	—	10,664
Eliminated on disposals	—	—	(137)	(73)	(1,609)	—	(1,819)
Impairment loss recognized	—	—	423	—	—	—	423
At December 31, 2024	41,829	11,385	20,970	8,332	24,294	—	106,810
CARRYING VALUES							
At December 31, 2022	63,317	4,039	10,008	2,118	3,972	—	83,454
At December 31, 2023	58,724	2,307	7,624	1,480	3,953	—	74,088
At December 31, 2024	54,130	1,409	13,827	1,941	7,220	—	78,527

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual value at the following rates per annum:

Buildings	4.75%
Leasehold improvements	Over the lease term
Plant and machinery	9.50% – 31.67%
Motor vehicles	19.00%
Furniture, fixtures and equipment	9.50% – 31.67%

The Group and the Company has not yet obtained property certificates of certain buildings with amount of RMB7,617,000, RMB7,084,000 and RMB6,550,000 as at December 31, 2022, 2023 and 2024.

Impairment assessment

The Group and the Company assess the impairment of property, plant and equipment individually. The recoverable amounts of the property, plant and equipment have been determined based on their value in use. The Group estimates the value in use of the property, plant and equipment. The relevant assets were impaired to their recoverable amount, which is their carrying values at year end. The impairment of RMB176,000, RMB8,128,000 and RMB2,610,000 of the Group and RMB70,000, RMB166,000 and RMB423,000 of the Company have been recognized in profit or loss within the relevant functions to which these assets relate during the year ended December 31, 2022, 2023 and 2024 respectively.

16. RIGHT-OF-USE ASSETS

	The Group			The Company		
	Leasehold land	Leased properties	Total	Leasehold land	Leased properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2022						
Carrying amount	104,249	109,465	213,714	16,082	—	16,082
As at December 31, 2023						
Carrying amount	101,864	77,337	179,201	15,694	—	15,694
As at December 31, 2024						
Carrying amount	99,479	92,029	191,508	15,305	—	15,305
For the year ended December 31, 2022						
Depreciation charge	2,385	81,419	83,804	389	—	389
For the year ended December 31, 2023						
Depreciation charge	2,385	26,174	28,559	389	—	389
For the year ended December 31, 2024						
Depreciation charge	2,385	21,596	23,981	389	—	389

	The Group			The Company		
	Year ended December 31,			Year ended December 31,		
	2022	2023	2024	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expenses relating to short-term leases and low-value assets	23,938	25,297	38,842	1,589	1,608	2,341
Total cash outflow for leases	102,728	52,972	66,042	1,589	1,608	2,341
Additions to right-of-use assets	97,218	10,260	38,069	—	—	—

The Group leases certain production facilities, offices, retail shops and warehouses during the Track Record Period. Lease contracts are entered into for fixed term of 12 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group and the Company applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group and the Company owns several plant, production and research facilities. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably. The leasehold land is amortized on a straight-line basis over 50 years pursuant to the registered term for land use right.

The Group and the Company has obtained the land use right certificates for all leasehold lands as at December 31, 2022, 2023 and 2024.

The Group and the Company regularly entered into short-term leases for warehouses during busy season and certain equipment. As at December 31, 2022, 2023 and 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB108,562,000, RMB79,999,000 and RMB92,742,000 are recognized with related right-of-use assets of RMB109,465,000, RMB77,337,000 and RMB92,029,000 of the Group as at December 31, 2022, 2023 and 2024, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 30.

17. INTANGIBLE ASSETS

	The Group			The Company		
	Software	Patents	Total	Software	Patents	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2022	11,636	—	11,636	11,215	—	11,215
Additions	1,660	—	1,660	1,660	—	1,660
At December 31, 2022	13,296	—	13,296	12,875	—	12,875
Additions	10,093	557	10,650	7,636	557	8,193
Disposal	(114)	—	(114)	—	—	—
At December 31, 2023	23,275	557	23,832	20,511	557	21,068
Additions	7,102	38	7,140	1,280	38	1,318
At December 31, 2024	30,377	595	30,972	21,791	595	22,386
AMORTIZATION						
At January 1, 2022	6,070	—	6,070	5,694	—	5,694
Provided for the year	2,217	—	2,217	2,180	—	2,180
At December 31, 2022	8,287	—	8,287	7,874	—	7,874
Provided for the year	4,109	105	4,214	3,998	105	4,103
Eliminated on disposal	(114)	—	(114)	—	—	—
At December 31, 2023	12,282	105	12,387	11,872	105	11,977
Provided for the year	5,153	86	5,239	3,787	86	3,873
At December 31, 2024	17,435	191	17,626	15,659	191	15,850
CARRYING VALUES						
At December 31, 2022	5,009	—	5,009	5,001	—	5,001
At December 31, 2023	10,993	452	11,445	8,639	452	9,091
At December 31, 2024	12,942	404	13,346	6,132	404	6,536

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Software	3 years or estimated economic life
Patents	3 years or estimated economic life

18. INTERESTS IN ASSOCIATES

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group			
Cost of investments in associates — unlisted	4,000	19,600	20,600
Share of post-acquisition gain, net of dividends received	2,385	1,645	4,002
	6,385	21,245	24,602
The Company			
Cost of investments in associates — unlisted	4,000	18,500	18,500
Share of post-acquisition gain, net of dividends received	2,388	1,721	3,633
	6,388	20,221	22,133

Details of each of the Group's and the Company's associates at the end of each reporting period are as follows:

The Group

Name of associates	Country of incorporation/ registration and operations	Proportion of ownership interest held by the Group			Proportion of voting rights held by the Group			Principal activities
		2022	2023	2024	2022	2023	2024	
安徽松鼠雲詹氏食品有限公司Anhui Yunzhanshi Foods Co., Ltd	The PRC	20%	20%	20%	20%	20%	20%	Manufacturing of snack food products
翶蘭松鼠食品(蕪湖)有限公司Aolan Squirrel Food (Wuhu) Co., Ltd	The PRC	—	20%	20%	—	20%	20%	Manufacturing of snack food products
安徽松果大叔堅果製品有限責任公司Anhui Pinecone Uncle Nut Products Co., Ltd ("Pinecone Uncle")	The PRC	—	22%	30.64%	—	22%	30.64%	Manufacturing of snack food products
蕪湖市綠色食品產業研究院有限公司Wuhu Green Food Industry Research Institute Co., Ltd.*(note)*	The PRC	—	—	10%	—	—	10%	Research and development

Note: According to the shareholders' agreement of Wuhu Green Food Industry Research Institute Co., Ltd., the Group has the right to appoint one out of seven directors in the board of directors of Wuhu Green Food Industry Research Institute Co., Ltd.. The Group can exercise significant influence in deciding Wuhu Green Food Industry Research Institute Co., Ltd.'s financial or operating policies. Accordingly, the Group accounts for its interest in Wuhu Green Food Industry Research Institute Co., Ltd. under equity method.

The Company

Name of associates	Country of incorporation/ registration and operations	Proportion of ownership interest held by the Group			Proportion of voting rights held by the Group			Principal activities
		2022	2023	2024	2022	2023	2024	
Anhui Yunzhanshi Foods Co., Ltd	The PRC	20%	20%	20%	20%	20%	20%	Manufacturing of snack food products
Aolan Squirrel Food (Wuhu) Co., Ltd	The PRC	—	20%	20%	—	20%	20%	Manufacturing of snack food products

Aggregate information of associates that are not individually material

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group's share of profit and total comprehensive income for the year	1,121	409	1,817
Aggregate carrying amount of the Group's interests in these associates	6,385	21,245	24,602
Dividend from these associates	1,000	1,800	1,058

19. INTERESTS IN SUBSIDIARIES

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cost of investments	389,136	502,802	690,261
Less: Impairment of subsidiaries	(9,496)	(9,496)	(9,496)
	379,640	493,306	680,765

20. DEFERRED TAX ASSETS (LIABILITIES)

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Deferred tax assets	109,078	136,441	158,585
Deferred tax liabilities	(61)	—	—
	109,017	136,441	158,585

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the Track Record Period:

	ECL provision and impairment of assets	Tax losses	Deferred income	Deductible advertising expense	Share-based payments	Right-of-use assets	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	9,572	749	21,357	44,251	8,213	(32,301)	33,160	1,467	86,468
(Charge) credit for the year *(note 10)*	(2,694)	7,771	(3,231)	17,037	2,220	4,935	(5,181)	1,692	22,549
At December 31, 2022	6,878	8,520	18,126	61,288	10,433	(27,366)	27,979	3,159	109,017
Credit (charge) for the year *(note 10)*	1,114	6,254	1,380	15,505	2,874	8,032	(7,979)	244	27,424
At December 31, 2023	7,992	14,774	19,506	76,793	13,307	(19,334)	20,000	3,403	136,441
Credit (charge) for the year *(note 10)*	1,302	(1,468)	1,636	7,523	10,220	(3,253)	3,397	2,787	22,144
At December 31, 2024	9,294	13,306	21,142	84,316	23,527	(22,587)	23,397	6,190	158,585

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Deferred tax assets	14,775	19,132	32,399
Deferred tax liabilities	(61)	—	—
	14,714	19,132	32,399

The following are the major deferred tax assets recognized and movements thereon during the Track Record Period:

	ECL provision and impairment of assets	Deferred income	Share-based payment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	2,764	2,526	5,552	395	11,237
(Charge) credit for the year	(135)	1,933	1,514	165	3,477
At December 31, 2022	2,629	4,459	7,066	560	14,714
(Charge) credit for the year	(88)	2,087	2,293	126	4,418
At December 31, 2023	2,541	6,546	9,359	686	19,132
Credit for the year	166	2,536	9,910	655	13,267
At December 31, 2024	2,707	9,082	19,269	1,341	32,399

At December 31, 2022, 2023 and 2024, the Group has unused tax losses of RMB49,330,000, RMB79,974,000 and RMB83,489,000 available for offset against future profit. A deferred tax asset of RMB47,305,000, RMB77,686,000 and RMB71,428,000 of such tax losses have been recognized. No deferred tax asset has been recognized in respect of the remaining approximately RMB2,025,000, RMB2,288,000 and RMB12,061,000 due to the unpredictability of future profit streams. The unrecognized tax losses with expiry dates as disclosed in the following table.

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
2025	1,032	1,051	1,051
2026	903	16	16
2027	90	3	3
2028	—	1,218	1,218
2029	—	—	9,773
	2,025	2,288	12,061

21. INVENTORIES

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group			
Raw material and consumables	308,041	338,688	591,825
Finished goods	762,977	1,048,952	1,491,631
	1,071,018	1,387,640	2,083,456
The Company			
Raw material and consumables	8,207	4,412	4,411
Finished goods	147,287	69,750	141,810
	155,494	74,162	146,221

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Trade receivables	397,111	597,696	563,704
Less: allowance for credit losses	(2,946)	(3,653)	(3,686)
	394,165	594,043	560,018
Prepayments to suppliers	80,979	116,541	213,108
Prepayments for long-lived assets	57,140	43,302	92,888
Prepayments paid for acquisitions of investments/businesses	—	—	80,000
Receivables from payment platforms	21,754	32,169	53,041
Other receivables and deposits	21,831	17,504	42,300
Other taxes recoverable	151,130	247,440	232,702
Dividend receivables from an associate	—	800	—
	726,999	1,051,799	1,274,057
Analyzed by:			
— current	669,859	1,008,497	1,101,169
— non-current	57,140	43,302	172,888
	726,999	1,051,799	1,274,057

The Company

	As at December 31,		
	2022	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**
Trade receivables	381,997	472,194	363,319
Less: allowance for credit losses	(2,929)	(3,482)	(2,454)
	379,068	468,712	360,865
Prepayments to suppliers	31,931	19,149	41,593
Prepayments for long-lived assets	734	486	8,296
Receivables from payment platforms	19,856	23,749	30,113
Other receivables and deposits	1,079,526	1,364,394	3,822,725
Other taxes recoverable	55,772	77,302	27,235
Dividend receivables from an associate	—	800	—
	1,566,887	1,954,592	4,290,827
Analyzed by:			
— current	1,566,153	1,954,106	4,282,531
— non-current	734	486	8,296
	1,566,887	1,954,592	4,290,827

Trade receivables

As at January 1, 2022, The Group's and the Company's trade receivables from contracts with customers amounted to RMB192,803,000 and RMB1,016,684,000 respectively.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the dates of delivery of goods at the end of each reporting period:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group			
0 – 90 days	390,854	575,915	515,780
91 – 365 days	3,059	18,128	42,942
366 – 730 days	250	—	1,296
Over 731 days	2	—	—
	394,165	594,043	560,018
The Company			
0 – 90 days	376,082	442,954	328,964
91 – 365 days	2,778	25,758	21,187
366 – 730days	208	—	10,714
	379,068	468,712	360,865

For trade receivables with online platform and certain key distributors, the Group's policy is to allow a credit period of 30 to 90 days to these trade customers.

Before accepting any new customers with credit limit, the Group assesses their historical background and credibility which are available in the market. The credit limit will be determined with reference to the result of research and will be reviewed once a year.

The Group and the Company do not hold any collateral over the trade receivables.

As at December 31, 2022, 2023 and 2024, included in trade receivables balance are debtors with aggregate carrying amount of RMB3,311,000, RMB18,128,000 and RMB44,238,000 of the Group and RMB2,986,000, RMB25,758,000 and RMB31,901,000 of the Company which are past due as at the reporting date, respectively. Out of the past due balances, RMB3,311,000, RMB18,128,000 and RMB44,238,000 of the Group and RMB2,986,000, RMB25,758,000 and RMB31,901,000 of the Company have been past due 90 days or more but not considered as in default.

As at December 31, 2022, 2023 and 2024, included in the Company's trade receivables balance are debtors from a subsidiary with amount of nil, RMB9,585,000 and RMB9,585,000, respectively. These amounts are trade nature, unsecured, interest-free and repayable on demand.

Prepayments to suppliers

Prepayments to suppliers of the Group and the Company represented the payments made to suppliers for purchase of raw materials or services.

Other receivables and deposits

Other receivables and deposits of the Group represented security deposits and other receivables.

As at December 31, 2022, 2023 and 2024, included in the Company's other receivables and deposit balance are receivables from subsidiaries with amount of RMB1,065,144,000, RMB1,356,397,000 and RMB3,808,420,000, respectively. These amounts are non-trade nature, unsecured, interest-free and repayable on demand.

Other taxes recoverable

Other taxes recoverable represented input value-added tax that can be used in the future but has not been deducted by the Group and the Company yet.

Details of impairment assessment of trade and other receivables are set out in note 40.

23. FINANCIAL ASSETS AT FVTPL

The Group and the Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Structure products	20,243	19,629	—

24. TIME DEPOSITS

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group			
Certificates of deposits	1,364,983	1,445,785	1,230,464
The Company			
Certificates of deposits	1,364,983	1,343,067	1,124,587

The fair value of the time deposits is determined based on the expected time deposits rate and the principal amount of the certificate of deposits. Interest income from time deposits is included in "other income" in the consolidated statements of profit or loss and other comprehensive income.

As at December 31, 2022, 2023 and 2024, time deposits of the Group and the Company with the amount of RMB100,000,000, RMB100,000,000 and nil, respectively, were pledged for bank loans under discounted bills receivable.

25. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

Cash and cash equivalents include demand deposits, which carry interest at market rates range from 0.25% to 1.61%, 0.05% to 1.55% and 0.05% to 1.25% per annum at December 31, 2022, 2023 and 2024.

Cash balances that are placed in bank accounts with restrictions are as follows:

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Bank regulatory funds	9,186	9,155	10,178
Letter of guarantee for lease of logistic warehouses	525	2,029	1,078
Other	328	1,933	1,072
	10,039	13,117	12,328

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Bank regulatory funds	8,979	8,976	8,976
Other	325	1,124	501
	9,304	10,100	9,477

The restricted bank balances of the Group and the Company are mainly required by the respective regulations or for letter of guarantee for lease of logistic warehouses.

These restricted bank balances of the Group and the Company carrying interest at variable interest rates ranging from 0.25% to 2.30%, 0.20% to 2.30% and 0.85% to 2.30% per annum at December 31, 2022, 2023 and 2024.

The Group's and the Company's bank balances that are denominated in the currencies other than the functional currencies of the relevant group entities were insignificant at December 31, 2022, 2023 and 2024.

Details of impairment assessment of bank balances and restricted bank balances are set out in note 40.

26. TRADE AND OTHER PAYABLES

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group			
Trade payables	1,063,465	1,548,469	2,096,659
Payroll payables	67,909	82,151	100,277
Deposits received	76,032	76,922	94,089
Advertising cost payables	33,970	60,362	173,120
Transportation cost payables	87,188	132,318	193,424
Labor outsourcing payables	72,848	61,372	81,813
Other tax payables	40,621	54,001	100,082
Dividend payable	—	—	50,091
Other payables and accruals	29,092	34,417	32,125
	1,471,125	2,050,012	2,921,680
The Company			
Trade payables	901,498	667,824	1,898,043
Notes payables	—	300,000	350,000
Payroll payables	46,119	55,276	52,686
Deposits received	5,140	5,047	8,818
Advertising cost payables	23,021	17,297	69,044
Transportation cost payables	1,236	1,408	—
Labor outsourcing payables	3,632	1,394	1,580
Other tax payables	28,695	5,246	17,362
Dividend payable	—	—	50,091
Other payables and accruals	559,029	1,255,672	2,312,865
	1,568,370	2,309,164	4,760,489

The credit period granted by suppliers to the Group ranges from 30 to 60 days during the Track Record Period. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group			
0 – 365 days	1,060,987	1,527,624	2,071,889
Over 365 days	2,478	20,845	24,770
	1,063,465	1,548,469	2,096,659
The Company			
0 – 365 days	880,383	666,930	1,501,177
Over 365 days	21,115	894	396,866
	901,498	667,824	1,898,043

As at December 31, 2022, 2023 and 2024, included in the Company's trade payables balance are amounts due to subsidiaries amounting to RMB900,229,000, RMB665,034,000 and RMB1,894,429,000, respectively. These amounts are in trade nature, unsecured, interest-free and repayable on demand.

As at December 31, 2022, 2023 and 2024, included in the Company's other payables and accruals balance are amounts due to subsidiaries amounting to RMB549,140,000, RMB1,246,284,000 and RMB2,302,315,000, respectively. These amounts are in non-trade nature, unsecured, interest-free and repayable on demand.

27. CONTRACT LIABILITIES

The contract liabilities represented the advance payment received from customers while the underlying goods or services are yet to be provided.

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group			
Advances from customers:			
Sales of snack food products	248,278	291,189	347,403
Licensing fee and others	12,503	4,227	987
	260,781	295,416	348,390
The Company			
Advances from customers:			
Sales of snack food products	202,573	23,597	20,631

At January 1, 2022, the Group and the Company had contract liabilities amounted to RMB246,473,000 and RMB100,959,000 respectively.

The following table shows how much of the revenue recognized relates to carried-forward contract liabilities.

	For the year ended		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group			
Advances from customers:			
Sales of snack food products	218,007	246,570	289,481
Licensing fee and others	21,375	10,620	4,288
	239,382	257,190	293,769
The Company			
Advances from customers:			
Sales of snack food products	100,798	200,865	21,889
Licensing fee and others	161	—	—
	100,959	200,865	21,889

Typical payment terms which impact on the amount of contract liabilities recognized are as follows:

Sales of snack food products — contract liabilities represent receipts in advance from customers, normally offline distributors and individual customers, for unsatisfied performance obligations and are recognized as revenue when the Group performs its obligations by the customers obtain the control of the goods under the contracts. At contract inception, performance obligation is expected to be satisfied within one year.

Advance of licensing fees — the Group entered into arrangements with franchisees to operate stores under the "Three Squirrels" brand for using the brand and decoration designs of the Group for the franchise stores. Revenue from license fees are recognized on straight line basis during the contract term and remaining part are recorded as contract liabilities.

28. REFUND LIABILITIES

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group			
Refund liabilities:			
Arising from right of returns	2,545	3,055	5,767
The Company			
Refund liabilities:			
Arising from right of returns	2,479	2,799	5,361

The refund liabilities relate to customers' right to return products within 7 days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for those products expected to be returned. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method.

29. BORROWINGS

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group			
At amortized cost:			
Bank loans under discounted bills receivable or trade receivables factory arrangements *(note i)*	50,000	300,000	360,005
Other borrowing *(note ii)*	199,672	179,652	74,505
	249,672	479,652	434,510
Fixed rate	249,672	479,652	434,510
Secured	199,672	179,652	74,505
Unsecured	50,000	300,000	360,005
	249,672	479,652	434,510

The carrying amounts of the above borrowings are analyzed based on contractual repayment date as follows:

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The carrying amounts of the bank loans under discounted of bills receivable or trade receivables factory arrangements:			
The Group			
Within one year	50,000	300,000	360,005
The carrying amounts of the other borrowing are repayable:			
The Group			
Within one year	672	54,652	74,505
Within a period of more than one year but not exceeding two years	74,000	125,000	—
Within a period of more than two years but exceeding five years	125,000	—	—
	199,672	179,652	74,505
Current	50,672	354,652	434,510
Non-current	199,000	125,000	—

Notes:

(i) Bank loans from short-term import loan, discounted bills and trade receivables factoring arrangements

The bank loans represent short-term import loan of RMB50,000,000, nil and nil, advances drawn on discounted bills receivables of nil, RMB300,000,000 and RMB350,000,000 on intra group transactions and trade receivables factoring arrangement of nil, nil and RMB10,005,000 at December 31, 2022, 2023 and 2024 respectively. The effectively interest rate of these bank loans at December 31, 2022, 2023 and 2024 range from 1.10% to 3.55%, 1.00% to 3.55% and 0.90% to 3.55% per annum.

(ii) Other borrowing

The other borrowing represents a financing arrangement with a principal amount of RMB250,000,000 received from a government-funded investment entity. Based on the agreement signed between the Group and the investor, the investor would contribute RMB250,000,000 for 41.67% interest in 安徽松鼠小賤電子商務有限公司 Anhui Squirrel Xiaojian E-commerce Company Limited, a consolidated entity of the Group, as pledged assets to secure the other borrowing. The other borrowing was also guaranteed by the Company. The Group is obligated to repay the RMB250,000,000 plus a fixed-rate interest at 1.20% per annum to the investor by October 2025 with two installments. Based on the repayment schedule agreed, upon full repayment of the RMB250,000,000 and the accrued interest, the 41.67% interest in Anhui Squirrel Xiaojian E-commerce Company Limited would be returned to the Group.

At December 31, 2022, 2023 and 2024, the financing arrangement is measured at amortized cost using the effective interest method. The effective interest rate for the other borrowing is 1.20% per annum.

30. LEASE LIABILITIES

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The Group			
Lease liabilities payable:			
Within one year	34,754	14,175	27,555
Within a period of more than one year but not more than two years	16,684	13,602	21,203
Within a period of more than two years but not more than five years	34,880	41,228	42,449
More than five years	22,244	10,994	1,535
	108,562	79,999	92,742
Less: Amount due for settlement within one year shown under current liabilities	(34,754)	(14,175)	(27,555)
Amount due for settlement after one year shown under non-current liabilities	73,808	65,824	65,187

The Group's incremental borrowing rates applied to lease liabilities range from 4.65% to 4.65%, 4.20%% to 4.30% and 3.60% to 4.20% per annum at December 31, 2022, 2023 and 2024, respectively.

31. SHARE CAPITAL

Details of movements of authorized and issued share capital of the Company are as follows:

	Number of shares	Share capital
		RMB'000
Ordinary shares of RMB1 each		
Authorized:		
At January 1, 2022, December 31, 2022, 2023 and 2024	401,000,000	401,000
Issued and fully paid:		
At January 1, 2022, December 31, 2022, 2023 and 2024	401,000,000	401,000

Note: During the years ended December 31, 2022, 2023 and 2024, the Company has repurchased 529,100, 1,452,400 and nil A shares through the Shenzhen Stock Exchange with an aggregate consideration of RMB9,995,000, RMB30,014,000 and nil paid, respectively, for the share awards schemes.

In the year ended December 31, 2024, the Company has transferred 1,710,800 shares when share awards were granted. Details of the share award schemes are set out in note 34.

At December 31, 2022, 2023 and 2024, the Company had outstanding treasury shares of 529,000, 1,981,500 and 270,700, respectively.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Track Record Period.

32. RESERVES OF THE COMPANY

	Capital reserve	Shares repurchased for share award scheme	Surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	412,185	—	146,067	1,003,610	1,561,862
Profit and total comprehensive income	—	—	—	14,247	14,247
Recognition of equity-settled share based payments	56,977	—	—	—	56,977
Repurchase of shares	—	(9,995)	—	—	(9,995)
Dividends recognized as distribution	—	—	—	(90,556)	(90,556)
Transfer	—	—	1,425	(1,425)	—
At December 31, 2022	469,162	(9,995)	147,492	925,876	1,532,535
Profit and total comprehensive income	—	—	—	66,462	66,462
Recognition of equity-settled share based payments	44,671	—	—	—	44,671
Repurchase of shares	—	(30,014)	—	—	(30,014)
Dividends recognized as distribution	—	—	—	(64,322)	(64,322)
Transfer	—	—	6,646	(6,646)	—
At December 31, 2023	513,833	(40,009)	154,138	921,370	1,549,332
Profit and total comprehensive income	—	—	—	124,166	124,166
Recognition of equity-settled share based payments	35,816	—	—	—	35,816
Transfer of capital reserve upon share awards granted	(14,961)	34,696	—	—	19,735
Dividends recognized as distribution	—	—	—	(150,245)	(150,245)
Transfer	—	—	12,417	(12,417)	—
At December 31, 2024	534,688	(5,313)	166,555	882,874	1,578,804

33. DEFERRED INCOME

	The Group	The Company
	RMB'000	RMB'000
Balance at January 1, 2022	85,830	10,105
Addition	10,112	9,061
Recognized in profit or loss	(23,045)	(1,327)
Balance at December 31, 2022	72,897	17,839
Addition	14,368	13,169
Recognized in profit or loss	(9,160)	(4,822)
Balance at December 31, 2023	78,105	26,186
Addition	14,650	14,650
Recognized in profit or loss	(8,128)	(4,505)
Balance at December 31, 2024	84,627	36,331

Note: Government grants of RMB8,060,000, RMB12,600,000 and RMB12,600,000 have been received by the Group during each of the years ended December 31, 2022, 2023 and 2024 which are mainly related to investments in production facilities. The amounts have been treated as deferred income and is transferred to income over the useful lives of the relevant assets. Government grant income related to assets amounting to RMB3,114,000, RMB7,698,000 and RMB7,779,000 was recognized in profit or loss during each of the years ended December 31, 2022, 2023 and 2024, respectively.

34. SHARE-BASED PAYMENT TRANSACTIONS

(1) 2021 Business Partner Stock Ownership Scheme

The Company adopted the 2021 Business Partner Stock Ownership Scheme in July 2021. The participants of the 2021 Business Partner Stock Ownership Scheme include directors (excluding independent directors), senior management and core managerial/technical/business personnel of the Company and its subsidiaries. The Company has repurchased 3,851,575 A Shares from the open market and transferred such 3,851,575 A Shares to the designated account of the 2021 Business Partner Stock Ownership Scheme at nil consideration as set out under the 2021 Business Partner Stock Ownership Scheme. Each participant of the 2021 Business Partner Stock Ownership Scheme holds a certain percentage of interest in the scheme.

The 2021 Business Partner Stock Ownership Scheme is valid for a period of 72 months commencing from the date of completion of transfer of the relevant A Shares from the repurchase securities account of the Company to the designated account of the 2021 Business Partner Stock Ownership Scheme, i.e. July 15, 2021 (the "2021 Scheme Commencement Date").

The 2021 Business Partner Stock Ownership Scheme is administered by a committee (the "2021 Scheme Management Committee"), the members of which are elected by the participants of the 2021 Business Partner Stock Ownership Scheme. The 2021 Scheme Management Committee oversees the day-to-day management of the 2021 Business Partner Stock Ownership Scheme and exercise shareholders' rights on behalf of the participants.

The A Shares held by the 2021 Business Partner Stock Ownership Scheme are subject to a lock-up period of 24 to 60 months, commencing from the 2021 Scheme Commencement Date. After the expiry of the forgoing lock-up period, subject to attainment of performance targets and personal evaluation, the participants' entitlement to the corresponding portion of A Shares held by the 2021 Business Partner Stock Ownership Schemes will be vested in four tranches in the proportion of 34%, 22%, 22% and 22%. Upon vesting, the 2021 Scheme Management Committee may choose to (i) sell vested A Shares and distribute the proceeds to the participants proportionately; or (ii) transferred the vested A Shares to the participants proportionately pursuant to the relevant laws and regulations.

The grant date fair value of awarded share was RMB43.46, which was determined by reference to the fair value of the underlying ordinary shares of the Company on the date of grant.

The following table discloses movements of the shares under 2021 Business Partner Stock Ownership Scheme during the Track Record Period:

	For the year ended		
	2022	**2023**	**2024**
Outstanding at January 1,	3,851,575	3,851,575	3,851,575
Transfer to participants	—	—	(1,131,300)
Outstanding at December 31,	3,851,575	3,851,575	2,720,275

The Group recognized expense of RMB56,683,000, RMB43,686,000 and RMB23,063,000 for the years ended December 31, 2022, 2023 and 2024 in relation to 2021 Business Partner Stock Ownership granted by the Company.

(2) 2021 Share Option Incentive Plan ("2021 Share Option Plan")

As considered and approved at shareholders meeting of the Company on July 5, 2021, the Company adopted the 2021 Share Option Plan from July 5, 2021. Pursuant to the 2021 Share Option Plan, the Board of the Company is authorized to grant options to eligible employees, including employees of the Company and its subsidiaries, to subscribe for shares of the Company for consideration at RMB25.05 per share.

Share options are vested to rewarded employees, subject to performance evaluation at corporate level and individual level, in three phases, in which 40% of the total amount will be vested on 12 months after the grant date (first phase), 30% of the total amount will be vested on 24 months from the grant date (second phase) and remaining 30% of the total amount will be vested 36 months from the grant date (third phase).

The 2021 Share Option Plan was terminated pursuant to a resolution passed on April 23, 2023, all options granted but not vested yet were terminated simultaneously. Remaining fair value granted impacted by the early termination is recognized immediately.

The following table discloses movements of share options under 2021 Share Option Plan during the Track Record Period:

	For the year ended		
	2022	**2023**	**2024**
Outstanding at January 1,	1,016,000	638,000	—
Forfeited	(378,000)	(24,000)	—
Early terminated	—	(614,000)	—
Outstanding at December 31,	638,000	—	—
Exercisable at the end of the year	229,680	—	—

The Group recognized expense of RMB294,000, RMB985,000 and nil for the years ended December 31, 2022, 2023 and 2024 in relation to 2021 Share Option Plan granted by the Company.

(3) 2024 Employee Stock Ownership Scheme

The Company adopted the 2024 Employee Stock Ownership Scheme in May 2024. Pursuant to the 2024 Employee Stock Ownership Scheme, the Board of the Company is authorized to grant A Shares of the Company to the participants of the 2024 Employee Stock Ownership Scheme include core employees of the Company and its subsidiaries and branches, for consideration at RMB12.01 per A Share, subsequent adjusted to RMB11.7603 per A Share. On the grant date, the participants were entitled to receive ordinary shares of the Company, which were repurchased by the Company through its dedicated repurchase account, and were required to pay the purchase price upon accepting the shares.

The 2024 Employee Stock Ownership Scheme is valid for a period of 60 months commencing from the date of completion of transfer of the relevant A Shares from the repurchase securities account of the Company to the designated account of the 2024 Employee Stock Ownership Scheme (the "2024 Scheme Commencement Date").

The 2024 Employee Stock Ownership Scheme is administered by a committee (the "2024 Scheme Management Committee"), the members of which are elected by the participants of the 2024 Employee Stock Ownership Scheme. The 2024 Scheme Management Committee oversees the day-to-day management of the 2024 Employee Stock Ownership Scheme and exercise shareholders' rights on behalf of the participants.

The A Shares under the 2024 Employee Stock Ownership Scheme are vested to rewarded employees, subject to performance evaluation at corporate level and individual level, either in three phases, in which 40% of the total amount will be vested on 12 months after the grant date (first phase), 30% of the total amount will be vested on 24 months from the grant date (second phase) and remaining 30% of the total amount will be vested on 60 months from the grant date (third phase) if shares are granted before September 30, 2024, or in two phases, in which 50% of the total amount will be vested on 12 months after the grant date (first phase) and remaining 50% of the total amount will be vested on 24 months from the grant date (second phase) if shares are granted after September 30, 2024.

The A Shares under the 2024 Employee Stock Ownership Scheme were granted on May 15, 2024.

On May 15, 2024, 1,710,800 ordinary shares of the Company are granted to the participants under the 2024 Employee Stock Ownership Scheme. No award shares of the 2024 Employee Stock Ownership Scheme were vested, forfeited or expired during the year ended December 31,, 2024.

The grant date fair value of the awarded share was RMB14.39, which was determined based on the difference between the grant date closing price of the Company's A Share and the subscription price of the awarded shares. The grant date closing price of the Company's A Shares was RMB26.15 per share.

The Group recognized expense of nil, nil and RMB9,390,000 for the years ended December 31, 2022, 2023 and 2024 in relation to 2024 Employee Stock Ownership Scheme granted by the Company.

(4) 2024 Share Option Incentive Plan

As considered and approved at shareholders meeting of the Company on May 15, 2024, the Company adopted the 2024 Share Option Plan from May 15, 2024. Pursuant to the 2024 Share Option Plan, the Board of the Company is authorized to grant options to key employees of the Company and its subsidiaries and branches, for consideration at RMB24.02 per share.

Share options are vested to rewarded employees, subject to performance evaluation at corporate level and individual level, in three phases, either in three phases, in which 40% of the total amount will be vested on 12 months after the grant date (first phase), 30% of the total amount will be vested on 24 months from the grant date (second phase) and remaining 30% of the total amount will be vested on 60 months from the grant date (third phase) if options are granted before September 30, 2024 or in two phases, in which 50% of the total amount will be vested on 12 months after the grant date (first phase) and remaining 50% of the total amount will be vested on 24 months from the grant date (second phase) if shares are allocated after September 30, 2024. The options were granted on May 15, 2024.

No exercisable share option at December 31, 2024. The following table discloses movements of share options under 2024 Share Option Plan during the year ended December 31, 2024:

	For the year ended 2024
Outstanding at January 1,	—
Granted	2,119,600
Forfeited	(39,400)
Outstanding at December 31,	2,080,200

The estimated fair values of 2024 Share Option Plan were calculated using the Black-Scholes pricing model. The fair value at measurement date per share of the Company of first phase, second phase and third phase is RMB3.47, RMB4.42 and RMB5.62, respectively. The inputs into the model were as follows:

	First phase	Second phase	Third phase
Share price at grant date	RMB26.15	RMB26.15	RMB26.15
Exercise price	RMB24.02	RMB24.02	RMB24.02
Expected volatility	20.00%	18.60%	19.36%
Expected life	1 year	2 years	3 years
Risk-free interest rate	1.50%	2.10%	2.75%

The Group recognized expense of nil, nil and RMB3,364,000 for the years ended December 31, 2022, 2023 and 2024 in relation to 2024 Share Option Plan granted by the Company.

35. RELATED PARTY DISCLOSURES

The table below sets forth the major related parties and their relationships with the Group:

Name of related parties	Relationship with the Group
Anhui Yunzhanshi Foods Co., Ltd	Associate
Pinecone Uncle	Associate
Aolan Squirrel Food (Wuhu) Co., Ltd	Associate
Wuhu Green Food Industry Research Institute Co., Ltd.	Associate
Wuhu Squirrel Town Enterprise Management Company Limited	Entity controlled by Mr. Zhang
Wuhu Squirrel Town Business Management Company Limited	Entity controlled by Mr. Zhang
Wuhu Squirrel Town Hotel Management Company Limited	Entity controlled by Mr. Zhang
Wuhu Squirrel Town Culture Entertainment Company Limited	Entity controlled by Mr. Zhang
Anhui Squirrel Entertainment Co., Ltd	Entity controlled by Mr. Zhang
Wuhu Shuweixiangtou Enterprise Management Company Limited	Entity controlled by Mr. Zhang

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

The Group

Related party transactions

Nature of transactions	Name of related parties	As at December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
Sales of raw materials	Anhui Yunzhanshi Foods Co., Ltd	4,643	27,564	2,333
	Pinecone Uncle	N/A	252	10,065
	Aolan Squirrel Food (Wuhu) Co., Ltd	—	12,284	26,705
Sales of goods	Wuhu Squirrel Town Business Management Company Limited	24	—	—
	Wuhu Shuweixiangtou Enterprise Management Company Limited	242	18	—
	Wuhu Squirrel Town Culture Entertainment Company Limited	15	—	—
License fee income	Anhui Squirrel Entertainment Co., Ltd	70	77	54
Service income	Wuhu Squirrel Town Business Management Company Limited	630	426	222
Purchase of raw materials	Anhui Yunzhanshi Foods Co., Ltd	117,866	88,933	100,913
	Pinecone Uncle	N/A	272	15,047
	Aolan Squirrel Food (Wuhu) Co., Ltd	—	170,772	395,645
Storage expense	Anhui Yunzhanshi Foods Co., Ltd	21	471	1,092

Nature of transactions	Name of related parties	As at December 31, 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Entertainment expenses	Wuhu Squirrel Town Business Management Company Limited	919	422	1,477
	Wuhu Squirrel Town Hotel Management Company Limited	205	152	277
	Wuhu Squirrel Town Culture Entertainment Company Limited	2	—	—
	Anhui Squirrel Entertainment Co., Ltd	—	154	—
	Wuhu Shuweixiangtou Enterprise Management Company Limited	—	555	548
Utilities expenses	Wuhu Squirrel Town Enterprise Management Company Limited	41	56	—
Short term lease expenses	Wuhu Squirrel Town Business Management Company Limited	—	326	321
	Wuhu Squirrel Town Enterprise Management Company Limited	222	94	—
Lease payments	Wuhu Squirrel Town Business Management Company Limited	—	284	170
	Wuhu Squirrel Town Enterprise Management Company Limited	650	79	—

Related party balances

Nature of balances	Name of related parties	As at December 31, 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Trade receivables	Anhui Yunzhanshi Foods Co., Ltd	—	24,559	1,824
	Aolan Squirrel Food (Wuhu) Co., Ltd	—	5,624	5,490
	Pinecone Uncle	—	276	7,744
	Wuhu Shuweixiangtou Enterprise Management Company Limited	20	—	—
	Wuhu Squirrel Town Business Management Company Limited	13	—	—
Other receivables	Anhui Squirrel Entertainment Co., Ltd	50	77	131
	Wuhu Squirrel Town Business Management Company Limited	453	674	360
	Wuhu Squirrel Town Enterprise Management Company Limited	7	—	—
	Pinecone Uncle	—	—	957
	Anhui Yunzhanshi Foods Co., Ltd	—	800	—

Nature of balances	Name of related parties	As at December 31, 2022	2023	2024
		RMB'000	RMB'000	RMB'000
Trade payables	Anhui Yunzhanshi Foods Co., Ltd	19,297	15,950	29,574
	Pinecone Uncle	—	272	2,986
	Aolan Squirrel Food (Wuhu) Co., Ltd	—	35,774	60,368
Other payables	Anhui Yunzhanshi Foods Co., Ltd	610	761	678
	Wuhu Squirrel Town Business Management Company Limited	57	95	562
	Wuhu Squirrel Town Enterprise Management Company Limited	8	31	27
	Wuhu Squirrel Town Hotel Management Company Limited	91	319	153
	Wuhu Shuweixiangtou Enterprise Management Company Limited	—	104	242
Contract Liabilities	Aolan Squirrel Food (Wuhu) Co., Ltd	—	—	6

The balances with related parties are unsecured and interest free. The credit period of these receivables and payables with related parties are similar with the Group's customers or suppliers with similar transaction.

The balances with related parties of the Company are disclosed in the notes 22 and 26.

Details of impairment assessment of the respective amounts due from associates and related parties are set out in note 40.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended December 31, 2022, 2023 and 2024 is set out in note 14.

36. RETIREMENT BENEFITS SCHEMES

The Group are members of a state-managed retirement benefit scheme operated by the PRC government. The Group are required to contribute certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specific contributions.

The total expense recognized in profit or loss of RMB24,653,000, RMB18,827,000, and RMB21,170,000 represents contributions payable to these schemes by the Group during each of the years ended December 31, 2022, 2023 and 2024.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flow will be, classified in the Group's consolidated financial statements of cash flows from financing activities.

	Borrowings	Lease liabilities	Dividend payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2022	499,720	126,445	—	626,165
Financing cash flows	(256,349)	(78,790)	(90,556)	(425,695)
New leases entered	—	97,218	—	97,218
Leases modification	—	(1,790)	—	(1,790)
Early termination of leases	—	(41,714)	—	(41,714)
Interest expenses	6,301	7,193	—	13,494
Dividend distribution	—	—	90,556	90,556
As at December 31, 2022	249,672	108,562	—	358,234
Financing cash flows	223,866	(27,675)	(64,322)	131,869
New leases entered	—	10,260	—	10,260
Leases modification	—	94	—	94
Early termination of leases	—	(15,199)	—	(15,199)
Interest expenses	6,114	3,957	—	10,071
Dividend distribution	—	—	64,322	64,322
As at December 31, 2023	479,652	79,999	—	559,651
Financing cash flows	(50,804)	(27,200)	(100,154)	(178,158)
New leases entered	—	38,069	—	38,069
Leases modification	—	(1,781)	—	(1,781)
Interest expenses	5,662	3,655	—	9,317
Dividend distribution	—	—	150,245	150,245
As at December 31, 2024	434,510	92,742	50,091	577,343

38. MAJOR NON-CASH TRANSACTIONS

During the years ended December 31, 2022, 2023 and 2024, the Group entered into certain new lease agreements for the use of production facilities, retail shops and offices, and warehouses. On the date of commencement of leases, the Group recognized RMB97,218,000 right-of-use assets and RMB97,218,000 lease liabilities for the year ended December 31, 2022, RMB10,260,000 right-of-use assets and RMB10,260,000 lease liabilities for the year ended 2023 and RMB38,069,000 right-of-use assets and RMB38,069,000 lease liabilities for the year ended December 31, 2024, respectively.

During the years ended December 31, 2022 and 2023, the Group early terminated certain lease agreements for leased retail shops and offices. On the date of termination of leases, the Group derecognized RMB34,359,000 right-of-use assets and RMB41,714,000 lease liabilities for the year ended December 31, 2022, and RMB16,308,000 right-of-use assets and RMB15,199,000 lease liabilities for the year ended 2023, respectively.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debts, which includes, where appropriate, borrowings, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and other reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as the issue of the new debt or the redemption of existing debt.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets			
Trade and other receivables	437,750	644,516	655,359
Other financial assets	—	170,048	13,540
Restricted bank balances	10,039	13,117	12,328
Cash and cash equivalents	139,443	282,439	800,926
Financial assets at amortized cost	587,232	1,110,120	1,482,153
Time deposits	1,364,983	1,445,785	1,230,464
Financial assets at FVTPL	20,243	19,629	—
	1,972,458	2,575,534	2,712,617
Financial liabilities			
Trade and other payables	1,362,595	1,913,860	2,721,321
Borrowings	249,672	479,652	434,510
Financial liabilities at amortised cost	1,612,267	2,393,512	3,155,831

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets			
Trade and other receivables	1,478,450	1,857,655	4,213,703
Other financial assets	—	170,048	13,540
Restricted bank balances	9,304	10,100	9,477
Cash and cash equivalents	76,282	111,680	374,428
Financial assets at amortized cost	1,564,036	2,149,483	4,611,148
Time deposits	1,364,983	1,343,067	1,124,587
Financial assets at FVTPL	20,243	19,629	—
	2,949,262	3,512,179	5,735,735
Financial liabilities			
Financial liabilities at amortised cost			
Trade and other payables	1,493,556	2,248,642	4,690,441

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include financial assets at FVTPL, restricted bank balances, cash and cash equivalents, trade and other receivables, time deposits, other financial assets, trade and other payables, borrowings and financial guarantee contracts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose primarily to the market risks of changes in interest rates and currency rates.

There has been no significant change to the Group's and the Company's exposure to market risks or the manner in which it manages and measures the risk during Track Record Period.

(i) *Currency risk*

The Group and the Company collects most of its revenue and incurs most of the expenditures in RMB. The Company and the subsidiaries of the Group are mainly operating in the PRC, and have RMB as their functional currencies.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposures and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets (restricted bank balances and cash and cash equivalents) at the reporting date are insignificant. The Group consider the Group's exposure to exchange rate is limited as the carrying amounts of the Group's foreign currency is insignificant, no sensitivity analysis is presented accordingly.

(ii) *Interest rate risk*

The Group and the Company is exposed to fair value interest rate risk in relation to time deposits (see note 24), restricted bank balances (see note 25), other financial assets, fixed-rate borrowings (see note 29) and lease liabilities (see note 30). The Group and the Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 25). The Group and the Company cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances.

The Group currently does not have an interest rate hedging policy. The management of the Group consider the Group's exposure of the interest risk is insignificant, and therefore no sensitivity analysis is presented accordingly.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's and the Company's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, time deposits, restricted bank balances, bank balances and financial guarantee contracts. The Group and the Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Debt instruments at FVTPL

The directors of the Company regularly reviews and monitors the portfolio of debt instruments. Details of the terms of these investments are disclosed in note 23. Summary of the fair value and principal amount of these debt instruments at FVTPL are set out below.

	2022		**2023**		**2024**	
	Fair value	**Principal amount**	**Fair value**	**Principal amount**	**Fair value**	**Principal amount**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Debt instruments at FVTPL	20,243	20,000	19,629	19,573	—	—

Trade receivables arising from contracts with customers

In order to minimize the credit risk, the management of the Group and the Company has delegated the responsible personnel for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group and the Company may require advance payment to be received from most of the customers before acceptance of orders. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 34.0%, 31.7% and 20.3% of total trade receivables were due from the Group's largest customer as at December 31, 2022, 2023 and 2024, respectively. The concentration of credit risk for the five largest customers of total trade receivables were 86.4%, 64.7% and 54.2% as at December 31, 2022, 2023 and 2024, respectively. In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

For the years ended December 31, 2022, 2023 and 2024, the Group recognized impairment loss under ECL model on trade receivables of RMB3,183,000, RMB816,000 and RMB1,450,000 respectively. Details of the quantitative disclosures are set out below in this note.

Other receivables and deposits

The credit risk of other receivables, are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. For the years ended December 31, 2022, 2023 and 2024, the Group recognized impairment loss under ECL model on other receivables of RMB967,000, reversal of RMB5,879,000 and recognized of RMB164,000 respectively. Details of the quantitative disclosures are set out below in this note.

For the amount due from subsidiaries, the management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Company provided impairment based on 12m ECL. For the years ended December 31, 2022, 2023 and 2024, the Company assessed the ECL for amounts due from subsidiaries are insignificant and thus no loss allowance is recognized.

Time deposits, restricted bank balances and bank balances

The credit risk on time deposits, restricted bank balances and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Financial assets other than trade receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit impaired	Lifetime ECL — not credit impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	The amount is written off	The amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

The Group

	Notes	Internal credit rating	12m or life-time ECL	Gross carrying amount 2022	2023	2024
				RMB'000	RMB'000	RMB'000
Trade receivables	*22*	(i)	Life-time ECL (not credit- impaired)	394,351	594,997	562,422
		Loss	Credit-impaired	2,760	2,699	1,282
Other receivables	*22*	Watch list	12m ECL	34,879	27,120	52,630
		Loss	Credit-impaired	7,325	3,681	3,100
Time deposits	*24*	(ii)	12m ECL	1,364,983	1,445,785	1,230,464
Other financial assets	*N/A*	(ii)	12m ECL	—	170,048	13,540
Restricted bank balances	*25*	(ii)	12m ECL	10,039	13,117	12,328
Cash and cash equivalents	*25*	(ii)	12m ECL	139,443	282,439	800,926

The Company

	Notes	Internal credit rating	12m or life-time ECL	Gross carrying amount 2022	2023	2024
				RMB'000	RMB'000	RMB'000
Trade receivables	22	(i)	Life-time ECL (not credit- impaired)	379,237	459,979	352,520
		Loss	Credit-impaired	2,760	2,630	1,214
Trade receivables — amounts due from subsidiaries	22	Low risk	Life-time ECL (not credit-impaired)	—	9,585	9,585
Other receivables	22	Watch list	12m ECL	17,298	10,908	18,285
		Loss	Credit-impaired	3,318	2,805	2,805
Other receivables — amounts due from subsidiaries	22	Low risk	12m ECL	1,065,144	1,356,397	3,808,420
Time deposits	24	(ii)	12m ECL	1,364,983	1,343,067	1,124,587
Other financial assets	N/A	(ii)	12m ECL	—	170,048	13,540
Restricted bank balances	25	(ii)	12m ECL	9,304	10,100	9,477
Cash and cash equivalents	25	(ii)	12m ECL	76,282	111,680	374,428

Notes:

(i) For trade receivables, the Group and the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors credit-impaired, the Group and the Company determines the ECL on these items on a collective basis, the Group and the Company uses debtors' aging to assess the impairment for its customers.

The Group

The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors that is credit-impaired with gross carrying amounts of RMB2,760,000, RMB2,699,000 and RMB1,282,000 respectively as at December 31, 2022, 2023 and 2024 were assessed individually.

	2022			2023			2024		
Debtors' aging	Average loss rate	Gross carrying amount	ECL amount	Average loss rate	Gross carrying amount	ECL amount	Average loss rate	Gross carrying amount	ECL amount
	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000
0–90 days	0%	390,927	—	0%	575,915	—	0%	515,780	—
91–365 days	5%	3,142	156	5%	19,082	954	5%	45,202	2,260
366–730 days	10%	278	28	N/A	—	—	10%	1,440	144
Over 731 days	50%	4	2	N/A	—	—	N/A	—	—
		394,351	186		594,997	954		562,422	2,404

The estimated loss rates are estimated based on historical default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

As at December 31, 2022, 2023 and 2024, the Group provided RMB73,000, RMB782,000 and RMB1,450,000 impairment allowance for trade receivables which is not credit-impaired respectively. Impairment allowance of RMB3,110,000, RMB34,000 and RMBnil were made on credit-impaired debtors respectively.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2022	321	—	321
— transfer to credit impaired	(208)	208	—
— impairment losses, net of reversal	73	3,110	3,183
— write-offs	—	(558)	(558)
As at December 31, 2022	186	2,760	2,946
— transfer to credit impaired	(14)	14	—
— impairment losses, net of reversal	782	34	816
— write-offs	—	(109)	(109)
As at December 31, 2023	954	2,699	3,653
— impairment loss recognized	1,450	—	1,450
— write-offs	—	(1,417)	(1,417)
As at December 31, 2024	2,404	1,282	3,686

The Company

The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired). Debtors that is credit-impaired with gross carrying amounts of RMB2,760,000, RMB2,630,000 and RMB1,214,000 respectively as at December 31, 2022, 2023 and 2024 were assessed individually.

	2022			2023			2024		
Debtors' aging	Average loss rate	Gross carrying amount	ECL amount	Average loss rate	Gross carrying amount	ECL amount	Average loss rate	Gross carrying amount	ECL amount
	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000
0–90 days	0%	376,082	—	0%	442,954	—	0%	328,963	—
91–365 days	5%	2,924	147	5%	17,025	851	5%	22,302	1,115
366–730 days	10%	231	23	N/A	—	—	10%	1,255	125
		379,237	170		459,979	851		352,520	1,240

The estimated loss rates are estimated based on historical default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

As at December 31, 2022, 2023 and 2024, the Company provided RMB159,000, RMB689,000 and RMB389,000 impairment allowance for trade receivables which is not credit-impaired respectively. Impairment allowance of RMB2,915,000, RMB61,000 and RMBnil were made on credit-impaired debtors respectively.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)	**Lifetime ECL (credit-impaired)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
As at January 1, 2022	167	—	167
— transfer to credit impaired	(156)	156	—
— impairment losses, net of reversal	159	2,915	3,074
— write-offs	—	(312)	(312)
As at December 31, 2022	170	2,759	2,929
— transfer to credit impaired	(8)	8	—
— impairment losses, net of reversal	689	(61)	628
— write-offs	—	(75)	(75)
As at December 31, 2023	851	2,631	3,482
— impairment loss recognized	389	—	389
— write-offs	—	(1,417)	(1,417)
As at December 31, 2024	1,240	1,214	2,454

(ii) For the purposes of internal credit risk management, the Group and the Company have applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL as there is no significant increase in credit risk since initial recognition. The Group and the Company determine the expected credit losses for time deposits, other financial assets, restricted bank balances, cash and cash equivalents by assessment of probability of default. During each year ended December 31, 2022, 2023 and 2024, in view of the nature of the balance and historical default rate and forward looking information, the Group and the Company consider the provision of impairment allowance for these balances are insignificant.

Financial guarantees contracts

For financial guarantee contracts, the aggregate amount of outstanding financial guarantees issued to banks in respect of bank facilities granted to franchisees that the Group could be required to pay amounted to RMB270,000, nil and nil as at December 31, 2022, 2023 and 2024 respectively of the outstanding financial guarantees has been utilized by the franchisees.

The fair value of these financial guarantee, as at dates of initial recognition, were considered insignificant. At the end of the reporting period, the management has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognized in the profit or loss as the amount of the loss allowance was not significant. The financial guarantee arrangement to franchisees ceased during the year ended December 31, 2023.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance operations of the Group and the Company and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and Company's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

Liquidity table

	Weighted average interest rate	On demand or less than 1 year	1–2 year	2–5 years	More than 5 years	Total undiscounted cash flows	Carrying amounts
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group							
At December 31, 2022							
Trade and other payables	—	1,362,595	—	—	—	1,362,595	1,362,595
Borrowings	1.30%	53,060	76,165	126,233	—	255,458	249,672
Lease liabilities	4.65%	40,872	17,038	41,806	25,548	125,264	108,562
Financial guarantee contracts	—	270,000	—	—	—	270,000	—
		1,726,527	93,203	168,039	25,548	2,013,317	1,720,829
At December 31, 2023							
Trade and other payables	—	1,913,860	—	—	—	1,913,860	1,913,860
Borrowings	1.12%	356,637	126,233	—	—	482,870	479,652
Lease liabilities	4.65%	17,684	16,751	47,073	11,613	93,121	79,999
		2,288,181	142,984	47,073	11,613	2,489,851	2,473,511
At December 31, 2024							
Trade and other payables	—	2,721,321	—	—	—	2,721,321	2,721,321
Borrowings	1.04%	435,999	—	—	—	435,999	434,510
Lease liabilities	4.32%	31,363	24,000	46,877	1,843	104,083	92,742
		3,188,683	24,000	46,877	1,843	3,261,403	3,248,573
The Company							
At December 31, 2022							
Trade and other payables	—	1,493,556	—	—	—	1,493,556	1,493,556
At December 31, 2023							
Trade and other payables	—	2,248,642	—	—	—	2,248,642	2,248,642
At December 31, 2024							
Trade and other payables	—	4,690,441	—	—	—	4,690,441	4,690,441

41. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value as at 2022	2023	2024	Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value
	RMB'000	RMB'000	RMB'000			
Financial assets at FVTPL-unlisted financial products in the PRC	20,243	19,629	—	Level 3	Income approach Discounted cash flows with future cash flows that are estimated based on the principal amounts and expected interest rate	The higher the expected interest rate, the higher the fair value.

(ii) Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL
	RMB'000
As at January 1, 2022	—
Purchased	2,751,800
Disposal	(2,736,141)
Fair value change recognized in profit or loss	4,584
As at December 31, 2022	20,243
Purchased	2,613,900
Disposal	(2,619,913)
Fair value change recognized in profit or loss	5,399
As at December 31, 2023	19,629
Purchased	563,300
Disposal	(588,062)
Fair value change recognized in profit or loss	5,133
	—

The fair value gains or losses on the financial assets at FVTPL are included in "other gains and losses, net" (note 7).

(iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

At the date of this report, the Company has direct and indirect interest in the following subsidiaries:

Name of companies	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group As at December 31, 2022	2023	2024	As at the date of this report	Legal form	Principal activities	Notes
Directly held:									
安徽松鼠小美電子商務有限公司 Anhui Squirrel Xiaomei E-commerce Company Limited	The PRC August 26, 2013	RMB2,000,000 RMB2,000,000	100%	100%	100%	100%	Limited liability company	Online sales of snacks food products	
安徽松鼠小賤電子商務有限公司 Anhui Squirrel Xiaojian E-commerce Company Limited	The PRC April 10, 2014	RMB13,000,000 RMB600,000,000	100%	100%	100%	100%	Limited liability company	Inter-company leasing	
安徽中創食品檢測有限公司 Zhongchuang Food Inspection	The PRC May 30, 2014	RMB11,000,000 RMB11,000,000	100%	100%	100%	100%	Limited liability company	Food safety inspection	(b)
安徽三隻松鼠雲商營銷有限責任公司 Anhui Three Squirrels Cloud Commerce Marketing Company Limited	The PRC August 29, 2016	RMB30,000,000 RMB30,000,000	100%	100%	100%	100%	Limited liability company	Offline retail sales of snacks food products	
三隻松鼠(無為)有限責任公司 Three Squirrels (Wuwei) Company Limited	The PRC April 5, 2017	RMB100,000,000 RMB100,000,000	100%	100%	100%	100%	Limited liability company	Manufacturing snack food products	(c)
三隻松鼠(南京)食品技術研究開發有限公司 Three Squirrels (Nanjing) Food Technology Research and Development Company Limited	The PRC May 23, 2018	RMB10,000,000 RMB10,000,000	100%	100%	100%	100%	Limited liability company	Inactive	
三隻松鼠(南京)企業管理有限公司 Three Squirrels (Nanjing) Enterprise Management Company Limited	The PRC June 24, 2019	RMB50,000,000 RMB50,000,000	100%	100%	100%	100%	Limited liability company	Inactive	
松鼠雲供國際貿易有限公司 Squirrel Cloud Supply International Trading Company Limited	The PRC April 2, 2020	RMB39,000,000 RMB100,000,000	100%	100%	100%	100%	Limited liability company	Procurement of raw material	
萬物連通(安徽)物流科技有限公司 (previously known as 安徽倉鼠物流有限公司) Wanwu Connect (Anhui) Logistics Technology Company Limited	The PRC April 9, 2020	RMB39,000,000 RMB50,000,000	100%	100%	100%	100%	Limited liability company	Warehouse and logistic services	(d)
安徽三隻松鼠供應鏈管理有限公司 Anhui Three Squirrels Supply Chain Management Company Limited	The PRC April 9, 2020	RMB30,100,000 RMB40,000,000	100%	100%	100%	100%	Limited liability company	Inactive	
三隻松鼠(蕪湖)企業管理有限公司 Three Squirrels (Wuhu) Enterprise Management Company Limited	The PRC April 10, 2020	RMB5,000,000 RMB10,000,000	100%	100%	100%	100%	Limited liability company	Offline distribution of snack food products	(e)
三生萬物(安徽)數字科技有限公司 Sanshengwanwu (Anhui) Digital Technology Company Limited (previously known as 安徽雲造科技有限公司)	The PRC April 10, 2020	RMB30,000,000 RMB30,000,000	100%	100%	100%	100%	Limited liability company	Research and development of software	(f)
安徽三隻松鼠食品有限公司 Anhui Three Squirrels Food Company Limited	The PRC April 17, 2020	RMB1,000,000 RMB10,564,050	100%	100%	100%	100%	Limited liability company	Online sales of snacks food products	
安徽小鹿藍藍嬰童食品有限公司 Anhui Xiaolulanlan Infant and Child Food Company Limited	The PRC April 17, 2020	RMB10,564,050 RMB10,564,050	100%	100%	100%	100%	Limited liability company	Online sales of children friendly snack food products	
安徽三隻松鼠電子商務有限公司 Anhui Three Squirrels E-commerce Company Limited	The PRC April 17, 2020	RMB5,000,000 RMB10,564,050	100%	100%	100%	100%	Limited liability company	Online sales of snacks food products	
安徽三隻松鼠商貿有限公司 Anhui Three Squirrels Trading Company Limited	The PRC April 17, 2020	RMB2,000,000 RMB10,564,050	100%	100%	100%	100%	Limited liability company	Online sales of snacks food products	

Name of companies	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group As at December 31, 2022	2023	2024	As at the date of this report	Legal form	Principal activities	Notes
安徽三隻松鼠文化傳媒有限責任公司 Anhui Three Squirrels Culture Media Company Limited	The PRC October 15, 2021	RMB2,000,000 RMB10,000,000	100%	100%	100%	100%	Limited liability company	Live streaming	
安徽蜀三香食品有限公司 Anhui Shushanxiang Food Company Limited	The PRC March 14, 2022	Nil RMB10,000,000	100%	100%	100%	100%	Limited liability company	Inactive	
三隻松鼠(蕪湖)堅果智造有限公司 Three Squirrels (Wuhu) Nut Smart Manufacturing Company Limited	The PRC August 25, 2022	RMB50,000,000 RMB100,000,000	100%	100%	100%	100%	Limited liability company	Manufacturing of snack food products	(g)
三隻松鼠(安徽)品牌管理有限公司 Three Squirrels (Anhui) Brand Management Company Limited	The PRC April 12, 2023	RMB10,000,000 RMB10,000,000	—	100%	100%	100%	Limited liability company	Offline retail sales of snack food products	
星星點燈(蕪湖)投資管理有限公司 Xingxing Diandeng (Wuhu) Investment and Management Company Limited	The PRC April 12, 2023	RMB20,000,000 RMB20,000,000	—	100%	100%	100%	Limited liability company	Investment holding	
三隻松鼠(天津)食品有限責任公司 Three Squirrels (Tianjin) Food Company Limited	The PRC June 28, 2024	RMB100,000,000 RMB100,000,000	—	—	100%	100%	Limited liability company	Manufacturing of snack food products	
三隻松鼠(成都)食品有限責任公司 Three Squirrels (Chengdu) Food Company Limited	The PRC July 4, 2024	RMB500,000' RMB20,000,000	—	—	100%	100%	Limited liability company	Manufacturing of snack food products	
安徽蜻蜓教練食品有限公司 Anhui Dragonfly Coach Food Company Limited	The PRC August 27, 2024	Nil RMB5,000,000	—	—	100%	100%	Limited liability company	Online sales of snacks food products	
安徽松鼠食養食品有限公司 Anhui Squirrels Norish Food Company Limited	The PRC September 14, 2024	Nil RMB5,000,000	—	—	100%	100%	Limited liability company	Online sales of snacks food products	
安徽好大腕食品有限公司 Anhui Haodawan Food Company Limited	The PRC September 14, 2024	Nil RMB5,000,000	—	—	100%	100%	Limited liability company	Online sales of snacks food products	
安徽省大滿堅果食品有限公司 Anhui Daman Pinecone Food Company Limited	The PRC October 21, 2024	Nil RMB5,000,000	—	—	100%	100%	Limited liability company	Online sales of snacks food products	
安徽一件事創業投資有限公司 Anhui Yijianshi Venture Capital Company Limited	The PRC October 24, 2024	RMB80,000,000 RMB100,000,000	—	—	100%	100%	Limited liability company	Investment holding	
安徽一顆行星食品有限公司 Anhui One Planet Food Company Limited	The PRC November 4, 2024	Nil RMB5,000,000	—	—	100%	100%	Limited liability company	Inactive	
萬物靈動(安徽)文化創意有限公司 Wanwu Lingdong (Anhui) Culture Create Company Limited	The PRC December 11, 2024	Nil RMB5,000,000	—	—	100%	100%	Limited liability company	Inactive	
安徽巧可果食品有限公司 Anhui Qiaoke Food Company Limited	The PRC December 13, 2024	Nil RMB5,000,000	—	—	100%	100%	Limited liability company	Inactive	
安徽圍裙阿姨食品有限公司 Anhui Weiqunayi Food Company Limited	The PRC December 16, 2024	Nil RMB5,000,000	—	—	100%	100%	Limited liability company	Online sales of prepared food	
安徽三隻松鼠寵物食品有限公司 Anhui Three Squirrels Pet Food Company Limited	The PRC January 20, 2025	Nil RMB5,000,000	—	—	—	100%	Limited liability company	Online sales of pet food	

Name of companies	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group As at December 31,			As at the date of this report	Legal form	Principal activities	Notes
			2022	2023	2024				
蕪湖第二大腦咖啡有限公司 Wuhu Second Brain Café Company Limited	The PRC March 3, 2025	Nil RMB5,000,000	—	—	—	100%	Limited liability company	Offline cafe shop	
Three Squirrels (Cambodia) Company Limited	Cambodia March 12, 2025	Nil USD3,000,000	—	—	—	100%	Limited liability company	Not yet commence business	
安徽三隻松鼠生物科技有限公司 Anhui Three Squirrels Biological Technology Company Limited	The PRC March 19, 2025	Nil RMB5,000,000	—	—	—	100%	Limited liability company	Inactive	
安徽呼息酒業有限公司 Anhui Huxi Liquor Company Limited	The PRC March 19, 2025	Nil RMB5,000,000	—	—	—	100%	Limited liability company	Inactive	
Indirectly held:									
安徽三隻松鼠華東供應鏈管理有限公司 Anhui Squrrels East China Supply Chain Company Limited	The PRC April 15, 2020	RMB30,000,000 RMB30,000,000	100%	100%	100%	100%	Limited liability company	Supply chain management	
安徽小鹿藍藍電子商務有限公司 Anhui Xiaolulanlan E-commerce Company Limited	The PRC January 3, 2023	RMB5,000,000 RMB10,000,000	—	100%	100%	100%	Limited liability company	Online sales of snacks food products	
蕪湖三隻松鼠堅果食品有限公司 Wuhu Three Squirrels Pinecorn Food Company Limited	The PRC April 17, 2023	RMB500,000 RMB1,000,000	—	100%	100%	100%	Limited liability company	Online sales of snacks food products	
安徽三隻松鼠禮品有限公司 Wuhu Three Squirrels Gift Company Limited	The PRC November 27, 2023	RMB2,000,000 RMB5,000,000	—	100%	100%	100%	Limited liability company	Online sales of snacks food products	
安徽一號蛋食品有限公司 Anhui No.1 Egg Food Company Limited	The PRC July 2, 2024	RMB33,000,000 RMB33,000,000	—	—	100%	100%	Limited liability company	Manufacturing of snack food products	
松鼠富民食品(龍州)有限責任公司 Squirrels Fumin Food (Longzhou) Company Limited	The PRC July 26, 2024	RMB10,000,000 RMB10,000,000	—	—	100%	100%	Limited liability company	Manufacturing of snack food products	
蕪湖松鼠堅果科技有限公司 Wuhu Squirrels Pinecorn Technology Company Limited	The PRC August 9, 2024	RMB2,000,000 RMB2,000,000	—	—	100%	100%	Limited liability company	Inactive	
安徽松鼠農動食品有限公司 Anhui Squirrel Nongdong Food Company Limited	The PRC August 9, 2024	RMB5,100,000 RMB10,000,000	—	—	51%	51%	Limited liability company	Manufacturing of snack food products	
安徽松鼠金麥食品有限公司 Anhui Squirrel Jinmai Food Company Limited	The PRC August 9, 2024	RMB3,570,000 RMB7,000,000	—	—	51%	51%	Limited liability company	Manufacturing of snack food products	
安徽一群人企業管理諮詢有限公司 Anhui Yiqunren Enterprise Management Consultation Company Limited	The PRC October 17, 2024	RMB5,000,000 RMB5,000,000	—	—	100%	100%	Limited liability company	Enterprise management consultation	
安徽小鹿藍藍和光科技有限公司 Anhui Xiaolulanlan Heguang Technology Company Limited	The PRC January 16, 2025	Nil RMB5,000,000	—	—	—	100%	Limited liability company	Inactive	
安徽小鹿藍藍生物科技有限公司 Anhui Xiaolulanlan Biological Technology Company Limited	The PRC January 16, 2025	Nil RMB5,000,000	—	—	—	100%	Limited liability company	Inactive	
安徽那點田食品有限公司 Anui Nadiantian Food Company Limited	The PRC March 17, 2025	Nil RMB5,000,000	—	—	—	100%	Limited liability company	Inactive	
安徽萬物精算財務諮詢有限公司 Anhui Wanwu Actuarial Finance Consultancy Company Limited	The PRC April 1, 2025	Nil RMB5,000,000	—	—	—	100%	Limited liability company	Inactive	

Name of companies	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group As at December 31, 2022	2023	2024	As at the date of this report	Legal form	Principal activities	Notes
安徽萬物匯金財務服務有限公司 Anhui Wanwuhuijin Finance Service Company Limited	The PRC April 1, 2025	Nil RMB5,000,000	—	—	—	100%	Limited liability company	Inactive	
安徽一起贏管理諮詢有限公司 Anhui Yiqiying Management Consultancy Company Limited	The PRC April 9, 2025	Nil RMB5,000,000	—	—	—	100%	Limited liability company	Inactive	
安徽萬物雲服科技有限公司 Anhui Wanwuyun Technology Company Limited	The PRC April 21, 2025	Nil RMB5,000,000	—	—	—	100%	Limited liability company	Inactive	

All group entities had no debt securities outstanding as at December 31, 2022, 2023 and 2024 or at any time during the Track Record Period.

Notes:

(a) The English names of the subsidiaries incorporated in the PRC represent the best efforts made by the management of the Group in translating their Chinese names as they do not have official English names.

(b) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 安徽徽瑞會計師事務所(普通合夥) and 安徽國鑒會計師事務所(普通合夥) for the years ended December 31, 2022 and 2023, respectively.

(c) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 安徽徽瑞會計師事務所(普通合夥) for the year ended December 31, 2023.

(d) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 安徽國鑒會計師事務所(普通合夥) for the year ended December 31, 2022.

(e) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 安徽國鑒會計師事務所(普通合夥) for the year ended December 31, 2023.

(f) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 安徽新燕會計師事務所(普通合夥) for the year ended December 31, 2022.

(g) The statutory financial statements of this subsidiary established in the PRC were prepared in accordance with the relevant accounting principles and regulation in the PRC and were audited by 安徽國鑒會計師事務所(普通合夥) for the years ended December 31, 2022 and 2023.

(h) Other than disclosed in above, no statutory financial statements have been prepared for these group entities since there are no statutory audit requirements.

43. CAPITAL AND OTHER COMMITMENTS

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	80,836	49,484	90,814

At December 31, 2024, the Group has proposed to make the following acquisitions (the "Acquisitions"), details of which are set out as below:

No.	Name of the targets	Acquisition consideration	Deposits paid at December 31, 2024	Acquisition targets	Principal business activities
1.	Hunan Ailingshi Technology Co., Ltd. (湖南愛零食科技有限公司)	no more than RMB200,000,000	RMB30,000,000	controlling rights or business and assets	operation of snack wholesale chain stores and discount retail chain shops
2.	Weilaiyilai (Tianjin) Technology Development Co., Ltd. (未來已來(天津)科技發展有限責任公司)	no more than RMB60,000,000	RMB50,000,000	controlling rights or business and assets	operation of discount retail chain shops
3.	Anhui Zhiyang Food Co., Ltd. (安徽致養食品有限公司)	no more than RMB100,000,000	Nil	controlling rights or business and assets	production and sales of plant-based protein and composite protein beverages

On October 28, 2024, The Group entered into a letter of intent with each of the acquisition targets and their respective shareholders, pursuant to which the Group indicated its intention to acquire the controlling rights or the business and assets of each of the acquisition targets. The final consideration for each of the Acquisitions will be determined by the parties through commercial arm's length negotiations, based on the final transaction structure, taking into account audit, appraisal and due diligence results.

The Acquisitions are not completed at date of this report.

44. CONTINGENT LIABILITIES

The Group provided guarantees amounting to approximately RMB270,000 as at December 31, 2022 in respect of bank loans granted to certain franchisees of the Group.

45. EVENTS AFTER THE REPORTING PERIOD

Acquisition interest of an associate

In January 2025, the Group entered into a share purchase agreement with two shareholders of Anhui Yunzhanshi Foods Co., Ltd to acquire additional 31% interests in Anhui Yunzhanshi Foods Co., Ltd for RMB6,375,000 as consideration. Prior to entering into the agreement, the Group held 20% interest in Anhui Yunzhanshi Foods Co., Ltd and accounted for the 20% interest in Anhui Yunzhanshi Foods Co., Ltd as an associate of the Group. Upon completion of the acquisition, the Group would have 51% interest in Anhui Yunzhanshi Foods Co., Ltd and have control over Anhui Yunzhanshi Foods Co., Ltd. Up to the date of the report (April 25, 2025), the acquisition of 31% interest has not yet completed.

Acquisition 60% of controlling interest of Aizhekou

In April 2025, the Group entered into a share purchase agreement with the shareholders of Aizhekou for acquiring 60% interest in Aizhekou for a total consideration of RMB114,161,000. Aizhekou is engaging in the discounted supermarket operation in the PRC. Up to the date of the report (April 25, 2025), the acquisition of Aizhekou has not yet completed.

Acquisition of Anhui Three Squirrels Zhenyang Beverage Co. Ltd. ("Zhenyang Beverage")

In April 2025, the Group entered into an investment agreement with the shareholders of Zhenyang Beverage for acquiring 20% interest in Zhenyang Beverage for a total consideration of RMB12,957,000. Up to the date of the report (April 25, 2025), the acquisition of Zhenyang Beverage has not yet completed.

46. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies comprising the Group in respect of any period subsequent to December 31, 2024.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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 ISSUES

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 subscribers.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase and Decrease of Shares

According to the operation and development needs of the Company, subject to the laws and regulations, the Company may increase the capital by the following ways upon approval of separate resolutions at the general meeting:

(i) issuing shares to unspecified parties;

(ii) issuing shares to specific targets;

(iii) distribution of bonus shares to existing shareholders;

(iv) converting the reserve funds into share capital;

(v) other means approved by the laws, administrative regulations or approved by the securities regulatory authorities of the place where the shares of the Company are listed.

Our Company may decrease our registered share capital and shall comply with the procedures stipulated in PRC Company Law and the Articles of Association.

Repurchase of Shares

Company shall not to repurchase its own shares, unless otherwise under the circumstances:

(i) to reduce the Company's registered capital;

(ii) to merger with other companies holding shares in the company;

(iii) to use the shares for employee shareholding schemes or as equity incentives;

(iv) to acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any general meetings regarding the merger or division of the Company;

(v) to use the shares to satisfy the conversion of the convertible corporate bonds into shares issued by the Company;

(vi) to safeguard corporate value and shareholders' interests as the Company deems necessary.

Where the Company acquires its shares under the circumstances prescribed in items (iii), (v) or (vi) as set out above, such acquisition shall be conducted through public centralized trading.

Where the Company acquires its shares under the circumstances prescribed in items (i) and (ii) as set out above, such acquisition shall be resolved at a general meeting. Where the Company acquires its shares under the circumstances prescribed in items (iii), (v) and (vi) as set out above, such acquisition shall be resolved at a Board meeting attended by at least 2/3 of the directors in accordance with the applicable securities regulatory rules of the place where the shares of the Company are listed.

In accordance with the applicable securities regulatory rules of the place where the shares of the Company are listed, where the Company acquires its shares under the circumstances prescribed in item (i) as set out above, such shares shall be cancelled within ten days from the date of acquisition. Where the shares are acquired under the circumstances prescribed in items (ii) and (iv) as set out above, such shares shall be transferred or cancelled within six months. Where the shares are acquired under the circumstances prescribed in items (iii), (v) and (vi) as set out above, the total number of the shares held by the Company shall not exceed 10% of the total issued shares, and such shares shall be transferred or cancelled within three years.

Transfer of Shares

Shares of the Company shall be transferred in accordance with the laws.

The Directors and senior management of the Company shall notify the Company of their holdings of shares in the Company and the changes therein. The shares transferrable by them during each year of their tenures as determined at the time of appointment shall not exceed 25% of their total holdings of shares of the same class in the Company. The shares in the Company held by them shall not be transferred within one year from the date on which the Company's shares are listed for trading. The shares in the Company held by them shall not be transferred within half a year from their departure from the Company. Where the laws, administrative regulations or 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.

Any gains from sale of Company's shares or other securities with an equity nature by the Directors, senior management members or shareholders holding 5% or more of the Company's shares within six months after their purchase of the same, and any gains from the purchase of the shares or other securities with an equity nature by any of the aforesaid parties within six months after sale of the same shall be disgorged and paid to the Company, and the Board of Directors of the Company shall be responsible for recovering such gains from the abovementioned parties. However, the disposal of such shares by securities companies holding more than 5% of the shares as a result of the outstanding shares acquired under underwriting, and other circumstances stipulated by the securities regulatory authorities of the place where the shares of the Company are listed are excluded.

Shares or other securities with the nature of equity held by Directors, senior executives and individual shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, or held by them by using other people's accounts.

If the Board of Directors of the Company fails to comply with the above paragraph of this Article, the shareholders are entitled to request the Board of Directors to do so 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 set forth in this Article, the responsible Directors shall bear joint and several liability in accordance with law.

SHAREHOLDERS AND GENERAL MEETINGS

Shareholders

The Company shall set up a register of shareholders based on the certificates provided by the securities settlement agency. The register of shareholders shall be sufficient evidence proving the holding of the shares of the Company by a shareholder. A shareholder shall enjoy rights and assume obligations as per the class of the shares held by them. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Shareholders of the Company shall enjoy the following rights:

(i) to receive dividends and other distributions in proportion to the number of shares held;

(ii) to request, convene, hold, participate or send proxy to attend general meetings and exercise corresponding rights to speak and vote in accordance with the law;

(iii) to monitor, make suggestions on or question the Company's operation;

(iv) to transfer, donate or pledge shares in his/her/its possession in accordance with the law, administrative regulations, and provisions of the Articles of Association;

(v) to inspect and duplicate the Articles of Association, the register of shareholders, minutes of general meetings, resolutions of the meetings of the Board of Directors, and financial and accounting reports. Shareholders who meet the requirements may inspect the Company's accounting books and certificates;

(vi) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in proportion to the number of shares held;

(vii) the shareholders disagreeing with the merger or separation resolution made by the general meeting are entitled to ask the Company to acquire their shares;

(viii) other rights conferred by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

If a resolution passed at the Company's general meeting or the Board meeting violates laws or administrative regulations, shareholders have the right to institute proceedings before a people's court to render the resolution invalid. If the procedures for convening, or the method of voting at, a general meeting or a Board meeting violate laws, administrative regulations or the Articles of Association, or a resolution violates the Articles of Association, shareholders are entitled to institute proceedings before a people's court to rescind such resolution within 60 days of the adoption of such resolution, unless the procedures for convening, or the method of voting at, a general meeting or a Board meeting only contains a minor defect without a substantial impact on the resolution.

In the event of any loss caused to our Company as a result of violation of any laws, administrative regulations or Articles of Association by the Directors other than members of the Audit Committee or senior management when performing their duties in our Company, the Shareholders holding more than 1% shares separately or jointly for over 180 consecutive days may submit a written request to the Audit Committee to file an action with the people's court. Where the members of Audit Committee violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to our Company, the 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 Audit Committee 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 thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our 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 our Company.

In the event of a director or senior management person violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the court.

The obligations of Shareholders are as follows:

(i) To abide by laws, administrative regulations and the Articles of Association;

(ii) To provide Share capital according to the Shares subscribed for and Share participation methods;

(iii) Not to return Shares unless prescribed otherwise in laws and administrative regulations;

(iv) Not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors;

(v) To perform other duties prescribed in laws, administrative regulations, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Any Shareholder who abuses Shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of the Company as an independent legal entity or the limited liability of Shareholders to evade debts and seriously damages the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

Controlling Shareholders and Actual Controllers

Controlling shareholders and actual controllers of the Company shall comply with the following provisions:

(i) to exercise their rights as shareholders in accordance with the law and not abuse their control or use their affiliation to prejudice the legitimate interests of the Company or other shareholders;

(ii) to strictly implement the public statements and undertakings made and shall not change or waive them;

(iii) to fulfil information disclosure obligations in strict accordance with the relevant regulations, to proactively cooperate with the Company in information disclosure and to inform the Company in a timely manner of material events that have occurred or are proposed to occur;

(iv) not to appropriate the Company's funds in any way;

(v) not to order, instruct or request the Company and relevant personnel to provide guarantees in violation of laws and regulations;

(vi) not to make use of the Company's undisclosed material information to gain benefits, not to disclose in any way undisclosed material information relating to the Company, and not to engage in insider trading, short-swing trading, market manipulation and other illegal and unlawful acts;

(vii) not to prejudice the legitimate rights and interests of the Company and other shareholders through unfair related transactions, profit distribution, asset restructuring, foreign investment or any other means;

(viii) to ensure the integrity of the Company's assets, and the independence of personnel, finance, organisation and business, and not to affect the independence of the Company in any way;

(ix) other provisions of laws, administrative regulations, the CSRC, the stock exchange, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Where a controlling shareholder or actual controller of the Company does not act as a director of the Company but actually carries out the affairs of the Company, the provisions of the Articles of Association relating to the duties of loyalty and diligence of directors shall apply.

Where a controlling shareholder or actual controller of the Company instructs a director or senior management to engage in an act that is detrimental to the interests of the Company or the shareholders, he/she shall be jointly and severally liable with such director or senior management.

General Rules of the General Meeting

The General Meeting shall consist of all the shareholders. The General Meeting is the organ of authority of the Company, and shall exercise the following functions and powers in accordance with the law:

(i) to elect and replace directors, and to decide on matters relating to the remuneration of directors;

(ii) to consider and approve the reports of the Board;

(iii) to consider and approve the Company's profit distribution plans and loss recovery plans;

(iv) to resolve on the increase or reduction of the registered capital of the Company;

(v) to resolve on the issue of bonds of the Company;

(vi) to resolve on the merger, division, dissolution, liquidation or change of corporate form of the Company;

(vii) to amend the Articles of Association;

(viii) to resolve on the appointment and dismissal of the accounting firm that undertakes the auditing activities of the Company;

(ix) to consider and approve the guarantee matters stipulated in Article 47 of the Articles of Association;

(x) to consider the purchase or disposal of material assets within one year with an amount exceeding 30% of the latest audited total assets of the Company, and transaction matters stipulated in Article 48 of the Articles of Association;

(xi) to consider and approve the change in use of proceeds;

(xii) to consider share incentive schemes and employee share ownership schemes;

(xiii) to consider any related party transactions (excluding the provision of guarantee by the Company) between the Company and related parties, whose amount is more than RMB30 million and accounts for more than 5% of the absolute value of the latest audited net assets of the Company;

(xiv) to resolve on the purchase of shares of the Company under the circumstances specified in Article 25, items (1) and (2) of the Articles of Association;

(xv) to authorize the Board of Directors on the annual general meeting to decide on the issuance of stocks to specific objects with a total financing amount not exceeding RMB300 million and accounts for no more than 20% of the absolute value of the latest audited net assets of the Company, which shall become invalid on the date of the convening of the next annual general meeting;

(xvi) to consider other matters required by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association to be decided by the General Meeting.

The General Meeting may authorize the Board of Directors to make a resolution on the issuance of bonds of the Company.

The General Meetings are classified into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

In any of the following circumstances, the Company shall convene an extraordinary general meeting within two months from the date of the occurrence of the circumstance:

(i) when the number of directors falls short of the statutory number specified in the Company Law or is less than two-thirds of the number specified in the Articles of Association;

(ii) when the unrecovered losses of the Company amount to one-third of the total share capital;

(iii) when shareholders individually or together holding 10% or more of the shares of the Company request to hold such a meeting;

(iv) when the Board of Directors deems it necessary;

(v) when the Audit Committee proposes to hold such a meeting;

(vi) other circumstances as stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association.

In the event that an extraordinary general meeting is convened at the request of the securities regulatory rules of the place where the shares of the Company are listed, the effective date of the extraordinary general meeting may be adjusted in accordance with the clearance progress of the stock exchange where the Company's shares are listed.

Convening of General Meetings

The Board of Directors shall convene the general meeting on time within the specified period. Subject to the consent of more than half of all the independent directors, the independent directors have the right to propose to the Board of Directors to convene an extraordinary general meeting. With regard to the proposal made by the independent directors for convening an extraordinary general meeting, the Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, provide a written response indicating whether it agree or disagree to convene the extraordinary general meeting within 10 days upon receipt of the proposal. Where the Board of Directors agrees to convene the general meeting, a notice of convening such meeting shall be issued within 5 days after the resolution of the Board of Directors is made. Where the Board of Directors does not agree to convene the extraordinary general meeting, it shall provide reasons and make an announcement.

The Audit Committee is entitled to propose to the Board of Directors to convene an extraordinary general meeting and such proposal shall be made in writing to the Board of Directors. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles of Association, give a written reply on whether or not it agrees to convene the extraordinary general meeting within 10 days upon receipt of the proposal.

Where the Board of Directors agrees to convene the general meeting, a notice of convening such meeting shall be issued within 5 days after the resolution of the Board of Directors is made. Any change to the original proposal in the notice shall be subject to the approval of the Audit Committee. Where the Board of Directors does not agree to convene the extraordinary general meeting or fails to reply within 10 days after receipt of the proposal, it shall be deemed to be unable to perform or fail to perform the duty of convening the general meeting, and the Audit Committee may convene and preside over the meeting by itself.

Shareholders who individually or jointly hold more than 10% of the Company's shares are entitled to request the Board of Directors to convene an extraordinary general meeting and such requisition shall be made in writing to the Board of Directors. The Board of Directors shall, in accordance with laws, administrative regulations, securities regulatory rules of the place where the shares of the Company are listed, and the Articles of Association, give a written reply on whether or not it agrees to convene the extraordinary general meeting within 10 days upon receipt of the requisition.

Where the Board of Directors agrees to convene the general meeting, a notice of convening such meeting shall be issued within 5 days after the resolution of the Board of Directors is made. Any change to the original requisition in the notice shall be subject to the approval of relevant shareholders.

Where the Board of Directors does not agree to convene the extraordinary general meeting or fails to reply within 10 days after receipt of the requisition, shareholders who individually or jointly hold more than 10% of the Company's shares shall have the right to propose the Audit Committee to convene the extraordinary general meeting and such requisition shall be made in writing to the Audit Committee.

Where the Audit Committee agrees to convene the general meeting, a notice of convening such meeting shall be issued within 5 days after receipt of the requisition. Any change to the original requisition in the notice shall be subject to the approval of relevant shareholders. If the Audit Committee fails to issue the notice of the meeting within the specified period, it shall be deemed that the Audit Committee does not convene and preside over the general meeting. Shareholders who individually or jointly hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over the general meeting by themselves.

If the general meeting is convened by the Audit Committee or shareholders on their own, it shall notify the Board of Directors in writing and file a record with the Shenzhen Stock Exchange at the same time. Before the announcement of the resolution of the general meeting, the shareholding of shareholders who convene the meeting shall not be less than 10%. The Audit Committee or the shareholders who convene the meeting shall submit the relevant evidentiary materials to the Shenzhen Stock Exchange when issuing the notice of the general meeting and the announcement of the resolution of the general meeting.

Where the Audit Committee or the shareholders convene a general meeting on their own, the necessary expenses incurred thereof shall be borne by the Company.

Proposals and Notices of General Meeting

When the Company convenes a general meeting, the Board of Directors, the Audit Committee and shareholders who individually or jointly hold more than 1% of the Company's shares shall be entitled to put forward proposals to the Company.

Shareholders who individually or jointly hold more than 1% of the Company's shares may submit provisional proposals in writing to the convener 10 days prior to the convening of the general meeting. The convener shall issue a supplementary notice of the general meeting within 2 days upon receipt of the proposals to announce the contents of the provisional proposal and submit the provisional proposals to the general meeting for consideration, however, except for the provisional proposals that violates the requirements of the laws, administrative regulations or the Articles of Association, or are not within the terms of reference of the general meeting.

Except as provided in the preceding paragraph, the convener shall not change the proposals set out in the notice of the general meeting or add any new proposal after the said notice is served.

Proposals not set out in the notice of the general meeting or not complying with the Articles of Association shall not be voted on or resolved at the general meeting.

The convener shall notify all shareholders by announcement at least 20 days prior to the convention of an annual general meeting, or at least 15 days prior to the convention of an extraordinary general meeting. Where the laws, administrative regulations or listing rules of the place where the Company's shares are listed provide otherwise, such rules shall prevail. The Company shall not include the date of convention of meeting into the calculation of starting and ending time.

Notice of the general meeting shall contain:

(i) the date, venue and duration of the meeting;

(ii) matters and proposals submitted for consideration at the meeting;

(iii) a clear statement that: each shareholder is entitled to attend the general meeting in person, or appoint one or more proxies who need not be shareholders of the Company, to attend and vote on his/its behalf;

(iv) the date of record for the determination of shareholders who are entitled to attend the general meeting;

(v) name and telephone number of permanent contact person;

(vi) time and procedures for voting online or by other means.

Holding of General Meetings

All shareholders whose names appear on the register of members on the record date or their proxies are entitled to attend the general meeting and exercise their voting rights in accordance with the relevant laws, regulations, securities regulatory rules of the place where the shares of the Company are listed, and the Articles of Association, unless individual shareholders are required to abstain voting from individual matter as stipulated by the securities regulatory rules of the place where the shares of the Company are listed.

Shareholders may attend a general meeting in person, or may appoint a proxy to attend and vote on his/her behalf.

An individual shareholder that attends the meeting in person shall produce his or her own identity card or other valid documents or proof evidencing his or her identity. If he or she appoints a proxy to attend the meeting on his or her behalf, the proxy shall produce his or her own valid proof of identity and the power of attorney issued by the shareholder.

Shareholder who is a corporation shall attend and vote at a meeting by its legal representative or a proxy appointed by the legal representative. If the legal representative attends the meeting, he or she shall produce his or her own identity card and a valid proof of his or her legal representative status. If a proxy has been appointed to attend the meeting, such proxy shall present his or her own identity card and the power of attorney issued by the legal representative of the shareholder as a corporation, except for shareholder who is a recognized clearing house and its nominees 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. If such corporate shareholder has appointed a proxy to attend the meeting in accordance with the provisions of the Articles of Association, it shall be deemed to be present in person.

If the shareholder is a recognized clearing house or its nominees, it may authorize one or more persons it deems fit to act as its representative at any general meeting or any meeting of creditors; however, if more than one person is so 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 exercise rights on behalf of the recognized clearing house (or its nominees) (no shareholding voucher, notarized authorization and/or further evidence of the duly authorization is required), as if such person is an individual shareholder of the Company.

Voting and Resolutions at General Meetings

Resolutions of the general meeting include ordinary resolutions and special resolutions. An ordinary resolution at a general meeting shall be passed by one half or above of the voting rights held by shareholders (including their proxies) attending and entitled to vote at the general meeting. A special resolution at a general meeting shall be passed by two-thirds or above of the voting rights held by shareholders (including their proxies) attending and entitled to vote at the general meeting.

The following matters shall be resolved by an ordinary resolution at a general meeting:

(i) work reports of the Board;

(ii) plans formulated by the Board for the distribution of profits and for making up losses;

(iii) appointment and removal of the members of the Board of Directors, their remunerations and methods of payment;

(iv) matters other than those required by the laws and administrative regulations and the securities regulatory rules of the place(s) where the shares of the Company are listed or by the Articles of Association to be adopted by special resolution.

The following matters shall be resolved by a special resolution at a general meeting:

(i) the increase or reduction of share capital of the Company;

(ii) the split, spin-off, merger, dissolution and liquidation (including voluntary winding-up) of the Company;

(iii) amendments to the Articles of Association;

(iv) the acquisition or disposal of major assets or guarantees within one year reaches or exceeds 30% of the Company's latest audited total assets;

(v) equity incentive plan;

(vi) consider and approval of the resolution on repurchase of the Company's share under the circumstances stipulated in Article 25(1) and (2) of the Articles of Association;

(vii) any other matters as required by the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association, and any other matters considered by the general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

A shareholder (including proxy) may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

When significant matters affecting the interests of the minority shareholders are considered at the general meeting, the votes cast by minority investors shall be counted separately. The results of separate counting shall be disclosed to the public in a timely manner.

The shares held by the Company have no voting rights, and that part of the shareholding shall not be counted as the total number of shares with voting rights held by shareholders attending the meeting.

If a shareholder purchases voting shares of the Company in violation of the provisions of Article 63(1) and (2) of the Securities Law, the voting rights of such shares in excess of the prescribed proportion shall not be exercised for a period of thirty-six months after the purchase and shall not be counted as part of the total number of voting shares present at the general meeting.

The Board of the Company, independent directors, shareholders holding more than 1% of the shares carrying voting rights or investor protection agencies established in accordance with laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed, or requirements of the CSRC may publicly solicit shareholders' voting rights. The specific voting intentions and other information shall be fully disclosed to the persons whose voting rights are being solicited when soliciting shareholders' voting rights. It is forbidden to solicit shareholders' voting rights with compensation or compensation in disguised form. The Company shall not impose a minimum shareholding proportion limit on the solicitation of voting rights except for statutory conditions.

DIRECTORS AND THE BOARD OF DIRECTORS

General Provisions in Relation to Directors

A director of the Company who is a natural person shall not act as the director of the Company under any of the following circumstances:

(i) lacking or having limited capacity to engage in civil juristic acts;

(ii) having been sentenced to any criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property or disrupting the economic order of the socialist market; or having ever been deprived of political rights due to any crime, with less than 5 years having elapsed since the completion date of the execution of the penalty, or having been granted probation, with less than 2 years having elapsed since the completion date of the probation period;

(iii) acting as a director, factory director or general manager of a company or enterprise that has been bankrupt and liquidated, whereby the director is personally liable for the bankruptcy of such company or enterprise, with 3 years having not elapsed since the completion date of the bankruptcy and liquidation of the company or enterprise;

(iv) acting as the legal representative of a company or enterprise, but the business license of this company or enterprise has been revoked and this company or enterprise has been ordered to close due to a violation of the law, whereby the director is personally liable for the revocation, with 3 years having not elapsed since the revocation date of the business license thereof;

(v) classified as a dishonest person subject to enforcement due to significant outstanding debts that have become due but have not been paid;

(vi) prohibited from entering the securities market by the CSRC with the penalty period not yet expired;

(vii) recognized by stock exchanges as unsuitable for serving as a director or senior management officer of a listed company, with the disciplinary action period not yet expired;

(viii) other circumstances as stipulated by the laws, administrative regulations, departmental regulation, and other securities regulatory rules of the places where the Company's shares are listed.

Directors shall comply with laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the articles of association, and owe fiduciary duties to the Company. They shall take measures to avoid conflicts of interest between themselves and the Company, and shall not exploit their positions to seek improper benefits. Directors owe the following fiduciary duties to the Company:

(i) They shall not misappropriate Company property or embezzle Company funds;

(ii) They shall not deposit Company funds into accounts opened in their personal names or in the names of other individuals;

(iii) They shall not solicit or accept bribes or other illegal benefits through their authority;

(iv) They shall not directly or indirectly enter into contracts or transactions with the Company unless they have reported to the Board of Directors or the General meeting and obtained approval through a resolution of the General meeting or the Board of Directors in accordance with the articles of association;

(v) They shall not exploit their positions to seize business opportunities that rightfully belong to the Company for their own benefit or the benefit of others, except that such opportunities are reported to the Board of Directors or General meeting and approved by a resolution of the General meeting; or the Company is legally, administratively, or under its articles of association unable to pursue such opportunities;

(vi) They shall not engage in any business competing with the Company, either on their own behalf or for others, unless they have reported to the Board of Directors or General meeting and obtained approval through a resolution of the General meeting;

(vii) They shall not retain commissions derived from transactions between third parties and the Company;

(viii) They shall not disclose Company secrets without authorization;

(ix) They shall not harm the Company's interests through their affiliated relationships;

(x) They shall comply with other fiduciary duties stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the shares of the Company are listed and the articles of association.

Any income obtained by Directors in violation of this provision shall be returned to the Company. Directors who cause losses to the Company through such violations shall be liable for compensation. Any contract or transaction entered into between the Company and immediate family members of Directors, senior management personnel, enterprises directly or indirectly controlled by Directors, senior management personnel, or their immediate family members, and other connected persons affiliated with Directors or senior management personnel, shall be governed by Article 102, Paragraph 2(iv) of the articles of association.

The Directors shall abide by the provisions of laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the articles of association, and have a diligent obligation to the Company, and shall perform their duties in the best interests of the Company and with the reasonable care normally due by the management. The Directors have the following diligent obligations to the Company:

(i) shall exercise prudently, conscientiously and diligently the rights conferred by the Company in order to ensure that the Company's business activities comply with the requirements of national laws, administrative regulations and various economic policies, and that the business activities do not exceed the scope of business stipulated in the business license;

(ii) all Shareholders shall be treated fairly;

(iii) to keep abreast of the business operation and management of the Company;

(iv) a written confirmation opinion shall be signed on the Company's periodic reports to ensure that the information disclosed by the Company is true, accurate and complete;

(v) shall truthfully provide the Audit Committee with relevant information and information, and shall not hinder the Audit Committee from exercising their powers;

(vi) other diligent obligations under laws, administrative regulations, departmental regulations, the securities regulatory rules of the place where the shares of the Company are listed and the articles of association.

The Company has established a director resignation management system to clarify the safeguards for unfulfilled public commitments and other outstanding matters. When the resignation of a Director takes effect or the term of office expires, all transfer procedures shall be completed to the board of directors, and the fidelity obligations of the director to the Company and the Shareholders shall not be automatically discharged after the end of the term of office, but shall remain valid for three years after the resignation of the director takes effect or the term of office expires. The Directors' responsibilities in the performance of their duties during their term of office shall not be relieved or terminated by reason of their departure from office.

Board of Directors

The Board of Directors consists of eight Directors, four of whom are independent non-executive Directors, and four of whom are non-independent Directors (including one employee Director). One of the Directors shall be the chairman of the Board.

The Board of Directors exercises the following powers:

(i) to convene the general meeting and report on work to the general meeting;

(ii) to implement the resolutions of the general meeting;

(iii) to determine the business and investment plans of our Company;

(iv) to devise the earnings distribution and loss offset plans of the Company;

(v) to formulate the plans for increasing or decreasing the Company's registered capital, the issuance of corporate bonds or other securities, as well as the listing of the stock of the Company

(vi) to formulate plans for major acquisitions of the Company, the buy-back of shares of our Company, corporate merger, separation, dissolution and changing the form of the Company;

(vii) to determine such matters as the Company's external investment, purchase or sale of assets, asset pledge, external guarantee, entrusting wealth management, connected transaction and external donation within the scope authorized by the general meeting;

(viii) to decide on the setup of the Company's internal management organization;

(ix) to decide on matters such as appointment or dismissal of the Company's general manager and other senior officers and on their compensation and incentives/disincentives; to decide on matters such as appointment or dismissal of the Company's vice general manager, chief financial officer and other senior management and on their compensation and incentives/disincentives based on the nominations by the general manager;

(x) to set the basic management systems of our Company;

(xi) to make the modification plan to the Articles of Association;

(xii) to manage the disclosure of company information;

(xiii) to request to the general meeting of shareholders to hire or replace the accounting firm auditing for the company;

(xiv) to attend to the work report of our Company's general manager and review the work of the general manager;

(xv) to make resolution on the plan for the purchase of shares of the Company in the circumstances specified in Article 25, paragraph 1, item (3), (4) or (6) of the Articles of Association;

(xvi) other powers and duties authorized by the laws, administrative regulations, regulations of the authorities, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association. Matters beyond the scope of authorization of the general meeting should be submitted by the Board of Directors to the general meeting for discussion.

Independent Directors

Independent directors shall maintain their independence. The following individuals shall not act as independent directors:

(i) Persons employed by the Company or its subsidiaries, as well as their spouses, parents, children, and close social relations;

(ii) Natural person shareholders who directly or indirectly hold more than 1% of the company's issued shares or are among the top ten shareholders of the company, as well as their spouses, parents, and children;

(iii) Persons working for shareholders who directly or indirectly hold more than 5% of the company's issued shares or for the top five shareholders of the company, as well as their spouses, parents, and children;

(iv) Persons working for affiliated enterprises of the company's controlling shareholder or actual controller, as well as their spouses, parents, and children;

(v) Persons who have significant business dealings with the company, its controlling shareholder, actual controller, or their respective affiliated enterprises, or who work for entities with such significant business dealings or their controlling shareholders or actual controllers;

(vi) Persons who provide financial, legal, consulting, sponsorship, or other services to the company, its controlling shareholder, actual controller, or their respective affiliated enterprises, including but not limited to all members of the project team of intermediary institutions providing such services, reviewers at all levels, signatories on reports, partners, directors, senior management personnel, and principal responsible persons;

(vii) Persons who, in the past 12 months, have fallen under any of the circumstances listed in items (i) to (vi) above;

(viii) Other individuals deemed non-independent under laws, administrative regulations, CSRC rules, stock exchange rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The affiliated enterprises of the company's controlling shareholder or actual controller referred to in items (iv) to (vi) of the preceding paragraph shall not include enterprises controlled by the same state-owned asset regulatory authority as the company and which, under relevant regulations, do not constitute affiliated parties of the company.

Independent directors shall conduct an annual self-assessment of their independence and submit the results to the Board of Directors. The Board of Directors shall evaluate the independence of incumbent independent directors annually and issue a special assessment opinion, which shall be disclosed together with the annual report.

Independent directors shall exercise the following special powers:

(i) independently engage intermediary agencies to conduct audits, consultations, or verifications on specific matters of the Company;

(ii) propose to the Board of Directors the convening of an extraordinary general meeting of shareholders;

(iii) propose the convening of a Board meeting;

(iv) lawfully solicit shareholder rights from shareholders;

(v) express independent opinions on matters that may harm the interests of the Company or minority shareholders;

(vi) other powers stipulated by laws, administrative regulations, CSRC rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The exercise of the powers listed in Items (i) to (iii) above shall be subject to the consent of more than half of all independent directors.

The Company shall promptly disclose the exercise of the powers listed in the paragraph 1 of Article 134 of Articles of Association by independent directors. If any of these powers cannot be exercised properly, the Company shall disclose the specific circumstances and reasons.

The following matters shall be submitted to the Board of Directors for deliberation only after being approved by more than half of all independent directors:

(i) Related-party transactions that are required to be disclosed;

(ii) Proposals for changes to or waivers of commitments made by the Company or relevant parties;

(iii) Decisions and measures made by the board of directors of the listed company being acquired in response to the acquisition;

(iv) Other matters stipulated by laws, administrative regulations, CSRC rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Company establishes a mechanism for special meeting attended solely by independent directors. Related party transactions should be pre-approved by the special meeting of independent directors before being submitted to the Board of Directors for consideration.

The Company shall hold special meetings of independent directors on a regular or ad hoc basis. Matters listed in items (i) to (iii) of the paragraph 1 of Article 134 and Article 135 of the Articles of Association shall be considered at a special meeting of independent directors.

The special meetings of independent directors shall be convened and presided over by an independent director jointly elected by a majority of the independent directors; in the event that the convener fails to or is unable to perform his/her duties, two or more independent directors may convene and elect a representative to preside over the meeting on their own.

Minutes of the special meetings of independent directors shall be prepared as required, with the inclusion of the opinions of the independent directors, who shall sign to confirm the minutes of the meetings.

Special Committees of the Board

The Board of the Company has established an Audit Committee, which shall exercise the functions and powers of the board of supervisors as prescribed by the Company Law.

The Audit Committee consists of three or more than three members, who are directors not holding senior management positions in the Company. Among them, independent directors shall be in majority and one of them acts as convener.

The Audit Committee is responsible for reviewing the company's financial information and its disclosure, supervising and evaluating the internal and external audit work and internal control. Any of the following matters shall be subject to the affirmative votes of more than half of all the members of the Audit Committee before the Board of Directors makes a resolution:

(i) disclosing the financial and accounting reports, and financial statements and internal control evaluation report of periodic reports;

(ii) hiring or removing the accounting firm that undertakes the audit engagements of the company;

(iii) appointing or removing the financial director;

(iv) making changes to accounting policies or accounting estimates, or make corrections for material accounting errors for reasons other than changes in accounting standards.; and

(v) any other matters authorized by the laws, administrative regulations, regulations of the authorities, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Audit Committee shall hold a regular meeting at least once a quarter. An extraordinary meeting may be convened upon the proposal of two or more members or when the convener deems necessary. A meeting of the Audit Committee may only be held when more than two thirds of the members attended. Resolutions adopted at the Audit Committee meeting must be approved by more than half of all members of the Audit Committee. Resolutions of the Audit Committee shall be passed on a "one person one vote" basis.

The Board of the Company has established other special committees such as the Strategy Committee, the Nomination Committee, the Remuneration and Appraisal Committee, etc., which perform their duties in accordance with the Articles and the authorization of the Board. The proposals of the special committees shall be submitted to the Board for review and decision making. The working procedures of the special committees shall be formulated by the Board. Among them, independent directors in the Nomination Committee and the Remuneration and Appraisal Committee shall be in majority and one of them acts as convener.

Senior Management Members

The Company has one general manager, who is appointed or dismissed by the Board. The Company has several deputy general managers, who are appointed or dismissed by the Board. The general manager, deputy general managers, chief financial officer and secretary of the Board are the senior management members of the Company.

The Company has a secretary of the Board, who shall act as the designated liaison between the company and the Shenzhen Stock Exchange, and be responsible for the preparation of the meetings of the general meeting and the Board of the Company, the custody of documents, the management of the Company's shareholder information, and handling matters related to information disclosure, etc. The secretary of the Board shall comply with the relevant provisions of laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial Accounting System

The Company shall submit an annual financial report to the competent authorities of CSRC and the Shenzhen stock exchange within 4 months after the end of each fiscal year, submit and disclose its interim report to the competent authorities of CSRC and the Shenzhen stock exchange within 2 months after the end of the first half of each accounting year.

The above-mentioned annual report and interim report are prepared in accordance with relevant laws, administrative regulations and the provisions of the CSRC and the Shenzhen stock exchange, and the securities regulatory rules of the place where the shares of the Company are listed.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual

When distributing profits after taxation of the year, the Company shall set aside 10% of its profits for the Company's statutory reserve until the fund has reached 50% or more of the Company's registered capital.

When the Company's statutory reserve is not sufficient to make up for the Company's losses for the previous years, the profits of the current year shall first be used to cover the losses before any allocation is set aside for the statutory reserve pursuant to the preceding provision.

After making allocations to the statutory reserve from its profits after taxation, the Company may, upon passing a resolution at a general meeting, make further allocations from its profits after taxation to the discretionary reserve.

After the Company covers its losses and makes allocations to its reserve, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the Articles of Association.

If the general meeting resolves to distribute any profits to the shareholders in violation of the Company Law, the shareholders shall return such profits distributed to the Company, and if any losses are caused thereby to the Company, the shareholders, as well as any directors, and senior officers responsible for the violation, shall be liable for compensation

The Company shall not distribute any profits in respect of the shares held by it.

The Company is required to appoint one or more receiving agent(s) in Hong Kong for shareholders of H shares. The receiving agent(s) shall receive and hold on behalf of such shareholders of H shares any dividends allocated to H shares and other amounts payable by the Company, and transmit such payments to such shareholders of H shares. The receiving agent(s) appointed by the Company shall satisfy the requirements under the laws and regulations and the securities regulatory rules of the place where the shares of the Company are listed.

The provident fund of the Company is appropriated for purpose of making up the losses or expanding production and operation of the Company or being capitalized.

When using the Company's reserves to cover its losses, any discretionary reserve and statutory reserve balances shall first be used to cover such losses; if there is still a shortfall, the capital reserve may be used in accordance with regulations.

In any capitalization of the statutory provident fund, the remaining statutory provident fund shall not be less than twenty-five percent (25%) of the Company's registered capital immediately prior to such capital increase through provident fund transfer.

After the shareholders make a decision for distribution of profits in general meeting, or after the Board of Directors formulates a specific plan in accordance with the conditions and upper limit of the interim dividend for the next year that approved by the annual general meeting of shareholders, the Board of Directors must finish distributing the dividends (or shares) within two months.

Internal Audit

The Company shall implement an internal audit system and clarify the leadership system, duties and authorities, staffing, financial support, application of audit results, and accountability.

The internal audit institution of the Company shall conduct supervision and inspection on the Company's business activities, risk management, internal control, financial information and other matters

Appointment of Accounting Firm

The Company shall appoint an accounting firm in compliance with the Securities Law and the securities regulatory rules of the place where the shares of the Company are listed to conduct accounting statements audit, net assets verification and other related consulting services for a term of one year, which may be renewed.

The appointment and dismissal of the Company's accounting firm shall be submitted to the Board of Directors for deliberation and decided by the general meeting. The Board of Directors shall not appoint the accounting firm until it is decided by the general meeting.

The Company shall undertake to provide its accounting firm with true and complete accounting vouchers, accounting books, financial reports and other accounting information, and shall not reject, conceal or misstate any information.

The audit fee payable to an accounting firm shall be decided by the general meeting.

When the Company intends to dismiss or not to reappoint an accounting firm, it shall give 10 days prior notice to the accounting firm. When a general meeting of the Company votes on the dismissal of the accounting firm, the firm shall be allowed to represent its opinions. Where the accounting firm resigns, it shall state to the general meeting whether the Company has improper circumstances.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase, Capital Reduction

The merger of the Company may take the form of either merger by absorption or merger by establishment of a new entity. One company absorbing another company is merger by absorption, and the company being absorbed shall be dissolved. Merger of two or more companies through establishment of a new company is merger by establishment of a new entity, and the parties to the merger shall be dissolved.

In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within 10 days after the date of the Company's resolution on merger and shall make an announcement in the media outlet designated by the Company or the National Enterprise Credit Information Publicity System within 30 days after the date of the Company's resolution on merger. Creditors may demand the Company to repay debts or provide corresponding security within 30 days upon receipt of such notice or 45 days from the date of announcement in case of receiving no such notice.

Upon the merger, claims and debts of each of the merged parties shall be assumed by the company which survives the merger or the newly established company resulting from the merger.

When the Company is divided, its assets shall be split accordingly. In the event of a division of the Company, the Company shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days after the date of the Company's resolution on division and shall make an announcement in the media outlet designated by the Company or the National Enterprise Credit Information Publicity System within 30 days after the date of the Company's resolution on division.

The Company shall prepare a balance sheet and an inventory of assets when it intends to reduce its registered capital. The Company shall notify the creditors within 10 days upon resolution on reduction of registered capital by the general meeting and make announcement thereof in the newspapers designated by the Company or the National Enterprise Credit Information Publicity System within 30 days. Creditors may demand the Company to repay debts or provide corresponding security within 30 days upon receipt of such notice or 45 days from the date of announcement in case of receiving no such notice

When the Company reduces its registered capital, it shall reduce the amount of capital contribution or shares in proportion to the shareholders' capital contribution or shareholding, unless otherwise stipulated by the laws or the Articles of Association.

When the merger or division of the Company involves changes in registered particulars, such changes shall be registered with the registration authority of the Company in accordance with the laws. When the Company is dissolved, the Company shall cancel its registration in accordance with the laws. When a new company is established, its establishment shall be registered in accordance with the laws.

In case of increase or reduction of registered capital of the Company, the Company shall legally complete the formalities for change registration with the registration authority of the Company.

Dissolution and Liquidation

The Company shall be dissolved for the following reasons:

(i) the general meeting resolves to dissolve the Company;

(ii) dissolution is necessary due to merger or division of the Company;

(iii) the Company's business license is revoked, the Company is ordered to close down or be revoked in accordance with the law;

(iv) where the operation and management of the Company falls into serious difficulties and its continued existence would cause material losses to shareholders, the shareholders holding above 10% of the total voting rights of the Company may apply to the people's court to dissolve the Company if there are no other solutions;

(v) the term of its operations as is stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred.

If the Company encounters the reasons for dissolution as stipulated in the preceding paragraph, it shall publicize the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

Where the Company falls under the circumstances of items (i) and (v) above and has not distributed any property to shareholders, it may continue to exist by amending the Articles of Association or by a resolution of the general meeting.

Amendments to the Articles of Association in accordance with the provisions of the preceding paragraph or by resolution of the general meeting shall be approved by more than two-thirds of the voting rights held by the shareholders attending the general meeting.

If the Company is dissolved pursuant to item (i), (iii), (iv) or (v) above, it shall be liquidated. The Directors, being the liquidation obligors of the Company, shall form a liquidation committee for liquidation within 15 days from the date of occurrence of the cause for dissolution. The liquidation committee shall comprise the Directors, unless the Articles of Association provide otherwise or it is resolved at a general meeting to elect another person(s). If liquidation obligors fail to perform their liquidation obligations in a timely manner, causing losses to the company or its creditors, they shall bear compensation liability.

The liquidation committee shall notify creditors within 10 days from the date of its establishment, and publish an announcement in the designated media outlet and periodicals or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receiving the notice, or within 45 days from the date of announcement in case they have not received the notice.

If the liquidation committee discovers that the assets of the Company are insufficient to repay its debts after sorting out the assets of the Company and preparing a balance sheet and an inventory of assets, it shall apply to the people's court for bankruptcy liquidation in accordance with the law. After the people's court accepts the bankruptcy application, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

In case the Company is declared to be insolvent according to the laws, liquidation shall be processed in accordance with the laws on corporate bankruptcy.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association under any of the following circumstances:

(i) After the amendments are made to the Company Law or relevant laws, administrative regulations and securities regulatory rules of the place where the shares of the Company are listed, the provisions of the Articles of Association are in conflict with the amended laws, administrative regulations or securities regulatory rules of the place where the shares of the Company are listed;

(ii) there is a change in the situation of the Company, which is inconsistent with the matters recorded in the Articles of Association;

(iii) the general meeting decides to amend the Articles of Association.

The amendments to the Articles of Association adopted by the general meeting shall be submitted to the competent authorities for approval if they are subject to approval by the competent authorities. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with the laws.

FURTHER INFORMATION ABOUT THE COMPANY

Incorporation

The Company was established as a limited liability company under the laws of the PRC on 16 February 2012 and was converted into a joint stock company with limited liability on 28 December 2015. The Company completed the listing of A Shares on the Shenzhen Stock Exchange (stock code: 300783) in July 2019. As of the Latest Practicable Date, the registered capital of the Company was RMB401,000,000.

The Company has established a place of business in Hong Kong at Room 1922, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. The Company [was registered] as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on [●] 2025, with Ms. Nelly Au-Yeung (歐陽麗妮) of Room 1922, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong being appointed as the Hong Kong authorised representative of the Company for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the PRC, its corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in "Regulatory Overview" and "Appendix III — Summary of the Articles of Association", respectively.

Changes in the Share Capital of the Company

A repurchase mandate for the repurchase of A Shares for the purpose of the Company's share incentive or employee stock ownership plan was approved by the Board on 18 August 2022. The repurchase mandate was valid for 12 months from the date of approval of the repurchase mandate by the Board. As of 29 June 2023, the repurchase of A Shares was completed under the repurchase mandate with a total of 1,981,500 A Shares repurchased pursuant to transactions conducted between 10 November 2022 and 29 June 2023. Upon repurchase, the repurchased A Shares are held under the Company stock repurchase account and do not carry any shareholders' rights, including but not limited to voting rights at the Shareholders' meeting and dividend rights. Any repurchased A Shares not granted to employees within 36 months after the completion of the repurchase shall be cancelled.

Save as disclosed in this Document, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this Document.

Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 42 to the Accountants' Report as set out in Appendix I.

On October 9, 2024, the registered share capital of Anhui No.1 Egg Food Company Limited (安徽一號蛋食品有限公司) decreased from RMB35,000,000 to RMB33,000,000.

Save as disclosed above, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this Document.

Resolutions Passed by Our Shareholders' General Meeting of the Company in Relation to the [REDACTED]

At the general meeting of the Shareholders held on April 21, 2025, the following resolutions, among other things, were duly passed:

(i) the **[REDACTED]** by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be **[REDACTED]** on the Hong Kong Stock Exchange;

(ii) the number of H shares to be **[REDACTED]** shall be no more than **[REDACTED]**% of the total issued share capital of the Company as enlarged by the **[REDACTED]**, and the grant of the **[REDACTED]** in respect of no more than **[REDACTED]**% of the number of H Shares issued pursuant to the **[REDACTED]**;

(iii) authorization of the Board and its authorized individuals to handle all matters relating to, among other things, the **[REDACTED]**, the **[REDACTED]** and **[REDACTED]** of H Shares on the Hong Kong Stock Exchange; and

(iv) subject to the completion of the **[REDACTED]**, the conditional adoption of the revised Articles of Association, which shall become effective on the **[REDACTED]**, and the authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules, and upon the request from the Hong Kong Stock Exchange and relevant PRC regulatory authorities.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contract

The Group has entered into the following contract (not being a contract 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 **[REDACTED]**.

Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are or may be material to the Group's business.

Trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks which are material to its business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.	三只松鼠	29	The Company	PRC	10539236	2033/04/20
2.	三只松鼠	30	The Company	PRC	10539299	2033/04/20
3.	Three Squirrels	29	The Company	PRC	10544090	2033/04/27
4.	Three Squirrels	30	The Company	PRC	10544109	2033/05/27
5.	三只松鼠 Three Squirrels	29	The Company	PRC	19820839	2027/06/20
6.	三只松鼠 Three Squirrels	30	The Company	PRC	19812999	2027/09/06
7.	三只松鼠 Three Squirrels	5	The Company	PRC	67835331	2033/10/06
8.	三只松鼠 Three Squirrels	29	The Company	PRC	67831355	2033/10/06
9.	三只松鼠 Three Squirrels	30	The Company	PRC	67818562	2033/10/06
10.	三只松鼠 Three Squirrels	32	The Company	PRC	67827465	2033/10/06
11.		5	The Company	PRC	44664439	2033/10/27
12.	小鹿蓝蓝 Deer Blue	5	The Company	PRC	73477181	2034/02/20
13.	第2大脑	30	The Company	PRC	29771959	2029/02/06
14.	第2大脑	32	The Company	PRC	14398463	2035/05/27

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
15.	第2大脑	43	The Company	PRC	14398815	2035/05/27
16.	围裙阿姨	29	The Company	PRC	68862646	2033/10/06
17.	围裙阿姨	30	The Company	PRC	68858479	2033/06/20
18.	COACH DRAGONFLY 蜻蜓教练	30	The Company	PRC	79798136	2035/03/06
19.	COACH DRAGONFLY 蜻蜓教练	29	The Company	PRC	79801295	2035/03/06
20.	COACH DRAGONFLY 蜻蜓教练	32	The Company	PRC	79806631	2035/03/06
21.	奶奶甜	30	The Company	PRC	33434376	2029/05/13
22.	奶奶甜	32	The Company	PRC	33434377	2029/05/13

Domain Name

As at the Latest Practicable Date, the Group had registered the following domain name which is material to its business:

No.	Domain Name	Registered Owner	Expiry Date
1.	3songshu.com	The Company	2026/12/08

Patents

As at the Latest Practicable Date, the Group had registered the following patents which are material to its business:

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application
1.	A cushion flattening device for bagged food compactors (一種用於袋裝食品緊實機的緩衝壓平裝置)	Invention Patent	The Company	PRC	ZL201310500832.5	2013/10/22
2.	A kind of old vinegar broad beans (一種老醋蠶豆)	Invention Patent	The Company	PRC	ZL201510578751.6	2015/09/11
3.	A preparation method of old vinegar broad beans (一種老醋蠶豆的製備方法)	Invention Patent	The Company	PRC	ZL201510578742.7	2015/09/11
4.	A sugar-coating syrup for food, a preparation method and its application (一種食品用裹糖糖漿、製備方法及其應用)	Invention Patent	The Company	PRC	ZL201510581984.1	2015/09/11
5.	A preparation method of garlic crisp (一種大蒜蘇的製備方法)	Invention Patent	The Company	PRC	ZL201410339257.X	2014/07/16
6.	A production process of epsom black tea (一種益生元紅茶的製作工藝)	Invention Patent	The Company	PRC	ZL201410228408.4	2014/05/27
7.	A kind of summer fruit opening machine (一種夏果開口機)	Invention Patent	The Company	PRC	ZL201610045902.6	2016/01/22
8.	A floating suction device on a conveyorized cleaning cart (一種設在傳送帶清潔車上的浮動吸水裝置)	Invention Patent	The Company	PRC	ZL201310335133.X	2013/08/03
9.	A preparation method of curd pistachio (一種腐乳開心果的製備方法)	Invention Patent	The Company	PRC	ZL201410361487.6	2014/07/25
10.	A kind of high-rise cargo transportation channel (一種高層貨物輸送通道)	Invention Patent	The Company	PRC	ZL201310500921.X	2013/10/22
11.	A multi-stage scanning flow equipment (一種多級掃描流水設備)	Invention Patent	The Company	PRC	ZL201310500904.6	2013/10/22
12.	A method of making dried tofu with red dates and wolfberries (一種紅棗枸杞豆腐幹的製作方法)	Invention Patent	The Company	PRC	ZL201410339233.4	2014/07/16

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application
13.	A kind of black pie pastry and its preparation method (一種黑派糕點及其製備方法)	Invention Patent	The Company	PRC	ZL201710198120.0	2017/03/29
14.	Bagged food compactor (袋裝食品緊實機)	Invention Patent	The Company	PRC	ZL201310500901.2	2013/10/22
15.	A three-channel output cargo conveyor (一種三通道輸出式貨物輸送通道)	Invention Patent	The Company	PRC	ZL201310335267.1	2013/08/03
16.	A kind of semi-automatic tape cutter (一種半自動膠帶裁剪器)	Invention Patent	The Company	PRC	ZL201310247183.2	2013/06/20
17.	A flavored powder and its application (一種調味粉及其應用)	Invention Patent	The Company	PRC	ZL201510579666.1	2015/09/11
18.	A buffer alarm door mounted on a goods conveying aisle (一種安裝在貨物輸送通道上的緩衝報警門)	Invention Patent	The Company	PRC	ZL201310500948.9	2013/10/22
19.	A method for rating the spicy flavor of duck necks (一種用於評定鴨脖辣味等級的方法)	Invention Patent	The Company; Three Squirrels (Nanjing) Food Technology Research and Development Co., Ltd.(三隻松鼠(南京)食品技術研究開發有限公司); Zhejiang Gongshang University (浙江工商大學)	PRC	ZL201911023656.4	2019/10/25
20.	An equipment monitoring system and method for a production plant (一種生產車間的設備監控系統及方法)	Invention Patent	The Company	PRC	ZL201911292185.7	2019/12/16
21.	An electrochemical sensor for detecting capsaicin and a method for detecting capsaicin content (一種用於檢測辣椒素的電化學傳感器及辣椒素含量的檢測方法)	Invention Patent	The Company; Three Squirrels (Nanjing) Food Technology Research and Development Co., Ltd. (三隻松鼠(南京)食品技術研究開發有限公司); Jiangnan University (江南大學)	PRC	ZL202110097300.6	2021/01/25
22.	Construction of electrochemical sensors for capsaicinoids by Ni reinforced CNTs/sulfonated rGO composites (Ni增強CNTs/磺基化rGO複合材料構建辣椒素類物質電化學傳感器)	Invention Patent	The Company; Jiangnan University (江南大學)	PRC	CN202310516053.8	2023/05/09
23.	A kind of original flavor green beans and its production method (一種原味青豆及其生產方法)	Invention Patent	The Company	PRC	CN202211603431.8	2022/12/13
24.	Improvement of the quality of dried strawberry by ultra-high pressure pretreatment combined with high-pressure osmotic dehydration, dried strawberry (超高壓預處理聯合高壓滲透脫水改善草莓脯品質的方法、草莓脯)	Invention Patent	The Company	PRC	CN202211564017.0	2022/12/07
25.	An intelligent food vacuum tumbler (一種智能食品真空滾揉機)	Invention Patent	The Company	PRC	CN202211631040.7	2022/12/19

No.	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application
26.	A primer combination, kit and method for the detection of mycotoxin-producing fungal species in nuts for the detection of molds in nuts (一種用於檢測堅果中黴菌的引物組合、試劑盒及堅果中產黴菌毒素真菌種類的檢測方法)	Invention Patent	The Company; Three Squirrels (Nanjing) Food Technology Research and Development Co., Ltd. (三隻松鼠(南京)食品技術研究開發有限公司)	PRC	CN202111055528.5	2021/09/09
27.	A reduced graphene oxide sensor and its preparation method, rapid detection of capsaicin content (一種還原氧化石墨烯傳感器及其製備方法、快速檢測辣椒素含量的方法)	Invention Patent	The Company; Three Squirrels (Nanjing) Food Technology Research and Development Co., Ltd. (三隻松鼠(南京)食品技術研究開發有限公司); Jiangnan University (江南大學)	PRC	CN202210015085.5	2022/01/07
28.	A kind of quality testing method and hot air drying process optimization method of pork dried meat (一種豬肉脯的品質檢測方法及熱風乾燥工藝優化方法)	Invention Patent	The Company; Three Squirrels (Wuwei) Limited Liability Company (三隻松鼠(無為)有限責任公司)	PRC	CN202310304181.6	2023/03/24
29.	A rapid gradient fermentation process for room temperature ready-to-eat recreational fermented meat and its application (一種常溫即食休閒發酵肉品快速梯度發酵工藝及其應用)	Invention Patent	The Company; Three Squirrels (Nanjing) Food Technology Research and Development Co., Ltd. (三隻松鼠(南京)食品技術研究開發有限公司)	PRC	CN202010751540.9	2020/07/30
30.	A method of exogenous flavor regulation of duck neck in sauce and marinade (一種醬滷鴨脖外源風味調控的方法)	Invention Patent	The Company; Three Squirrels (Nanjing) Food Technology Research and Development Co., Ltd. (三隻松鼠(南京)食品技術研究開發有限公司); Hefei University of Technology (合肥工業大學)	PRC	CN202210172404.3	2022/02/24
31.	Low-moisture hawthorn skin and its production method, low-moisture hawthorn chocolate nut kernel and its production method (低水分山楂皮及其製作方法、低水分山楂巧克力堅果仁及其製作方法)	Invention Patent	The Company; Three Squirrels (Nanjing) Food Technology Research and Development Co., Ltd. (三隻松鼠(南京)食品技術研究開發有限公司)	PRC	CN202210178894.8	2022/02/25

Software copyrights

As of the Latest Practicable Date, the Group had registered the following software copyrights which are material to its business:

No.	Software Name	Registrant	Registration Number	Date of Registration
1.	SZSS-ERP E-Commerce Order Audit System V2.0 (SZSS-ERP電子商務訂單審核系統V2.0)	software copyright	2014SR038336	2014/04/04
2.	SZSS-ERP e-commerce tripartite platform docking system V1.0 (SZSS-ERP電子商務三方平台對接系統V1.0)	software copyright	2014SR038335	2014/04/04
3.	SZSS-ERP E-commerce After-sales Processing System V2.0 (SZSS-ERP電子商務售後處理系統V2.0)	software copyright	2014SR038332	2014/04/04
4.	SZSS-ERP E-Commerce Cargo Storage and Transportation Information System V3.0 (SZSS-ERP電子商務貨物儲運信息系統V3.0)	software copyright	2014SR038329	2014/04/04
5.	SZSS-ERP e-commerce three-way logistics docking system V3.0 (SZSS-ERP電子商務三方物流對接系統V3.0)	software copyright	2014SR038389	2014/04/04
6.	SZSS-ERP E-Commerce Traceability System for Agricultural Products V1.0 (SZSS-ERP電子商務農產品可追溯系統V1.0)	software copyright	2014SR038388	2014/04/04
7.	Cloud Made Android Partner Procurement Order Acceptance System V1.0.0 (雲造安卓版銷售採購接單系統V1.0.0)	software copyright	2019SR0455075	2019/05/13
8.	Cloud Made Android Sales Inventory Requisition System V1.0.0 (雲造安卓版銷售採購要貨系統V1.0.0)	software copyright	2019SR0457661	2019/05/13
9.	Three Squirrels Integrity Travel Supervision System (三隻松鼠廉潔出差監管系統)	software copyright	2020SR1110482	2020/09/16
10.	Sales Budget Management System V1.0 (銷售預算管理系統V1.0)	software copyright	2024SR1731242	2024/11/08
11.	Three Squirrels — Cloud Mouse Industry Chain Collaboration Platform V1.0 (三隻松鼠 — 雲鼠產業鏈協同平台V1.0)	software copyright	2024SR1732856	2024/11/08

Copyrights

No.	Copyright Name	Type	Registrant	Registration Number	Date of Registration
1.	<Three Squirrels> (《三隻松鼠》)	Works created by virtue of an analogous method of film production	The Company	皖作登字-2018-1-00009150	2018/7/2
2.	<Dear Blue> (《小鹿藍藍》)	Works created by virtue of an analogous method of film production	The Company	國作登字-2022-I-10014203	2022/1/20
3.	<Dear Blue 2> (《小鹿藍藍2》)	Works created by virtue of an analogous method of film production	The Company	皖作登字-2022-1-00052063	2022/7/23
4.	<Dear Blue 3> (《小鹿藍藍3》)	Works created by virtue of an analogous method of film production	The Company	皖作登字-2022-1-00055497	2022/7/23
5.		Works of Fine Art	The Company	國作登字-2016-F-00290730	2016/7/27
6.		Works of Fine Art	The Company	國作登字-2016-F-00290735	2016/7/27
7.		Works of Fine Art	The Company	國作登字-2016-F-00290742	2016/7/27
8.		Works of Fine Art	The Company	皖作登字-2018-F-00001657	2018/3/16
9.		Works of Fine Art	The Company	皖作登字-2018-F-00001658	2018/3/16
10.		Works of Fine Art	The Company	皖作登字-2018-F-00001659	2018/3/16

DISCLOSURE OF INTERESTS

Disclosure of Interests of Directors and Chief Executive of the Company

Immediately following the completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), so far as our Directors are aware, the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, will be as follows:

Interests/Short Positions in the Company

Name of Shareholder	Nature of Interest	Type of Shares	Number of Shares Held or Interested	Approximate Percentage of interest in A Shares of the Company immediately after the [REDACTED]	Approximate Percentage of interest in Shares of the Company immediately after the [REDACTED]
Mr. Zhang	Beneficial owner	A Shares	161,872,000	40.37%	**[REDACTED]**%
	Interest in controlled corporations(1)(2)	A Shares	10,366,500	2.59%	**[REDACTED]**%
Mr. Pan Daowei	Beneficial owner(3)	A Shares	175,015	0.04%	**[REDACTED]**%
Mr. Wei Benqiang	Beneficial owner(4)	A Shares	173,207	0.04%	**[REDACTED]**%
Mr. Guo Guangyu	Beneficial owner(5)	A Shares	185,262	0.05%	**[REDACTED]**%

Notes:

(1) As of the Latest Practicable Date, Mr. Zhang owned 99% equity interest in Liaoyuan Investment, which directly held 6,696,000 A Shares. Mr. Zhang controlled approximately 93.39% equity interest in Squirrel Entertainment, which is (i) a limited partner of Songguo No.1, holding an interest of approximately 74.76%, (ii) a limited partner of Songguo No.2, holding an interest of approximately 99.60%, (iii) a limited partner of Songguo No.3, holding an interest of approximately 99.90%, (iv) a limited partner of Songguo No.4, holding an interest of approximately 98.24%; (v) a limited partner of Songguo No.5, holding an interest of approximately 99.06%. Songguo Investment is a limited partnership held by Songguo No.4 (as the general partner) and Squirrel Entertainment, Songguo No.1, Songguo No.2, Songguo No.3 and Songguo No.5 (as limited partners). Songguo Investment directly held 3,399,800 A Shares. Therefore, Mr. Zhang was deemed to be interested in all the A Shares held by Liaoyuan Investment and Songguo Investment under the SFO, which is 10,095,800 A Shares in total.

(2) As of the Latest Practicable Date, there were 270,700 A Shares repurchased and held in the Company's stock repurchase account as treasury shares. Mr. Zhang, through Liaoyuan Investment and Songguo Investment, directly and indirectly controls more than one-third of the voting power at the general meetings of the Company and would be taken to have an interest in such repurchased A Shares held by the Company under the SFO.

(3) As of the Latest Practicable Date, Mr. Pan Daowei was interested in 175,015 A Shares held under the 2021 Business Partner Stock Ownership Scheme.

(4) As of the Latest Practicable Date, Mr. Wei Benqiang was interested in 173,207 A Shares held under the 2021 Business Partner Stock Ownership Scheme.

(5) As of the Latest Practicable Date, Mr. Guo Guangyu was interested in 185,262 A Shares held under the 2021 Business Partner Stock Ownership Scheme.

(6) All interests stated above are long position.

Save as disclosed above, none of the Directors or the chief executive of the Company will, immediately following the completion of the **[REDACTED]**, have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

Disclosure of Interests of Substantial Shareholders

Save as disclosed below and the disclosure in the section headed "Substantial Shareholders", our Directors are not aware of any other person who will, immediately following completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of the Company or any other member of the Group.

Subsidiary of the Company	Registered Capital/Issued Share Capital	Name of the Shareholder	Approximate percentage of Interest
Anhui Squirrel Xiaojian E-Commerce Company Limited* (安徽松鼠小賤電子商務有限公司)	RMB600,000,000	Wuhu Xinma Investment Company Limited* (蕪湖新馬投資有限公司)	41.67%
Anhui Squirrel Nongdong Food Company Limited* (安徽松鼠農動食品有限公司)	RMB10,000,000	Anhui Nongdong Food Company Limited* (安徽農動食品有限公司)	49.00%
Anhui Squirrel Jinmai Food Company Limited* (安徽松鼠金麥食品有限公司)	RMB7,000,000	Hunan Boxiang Food Company Limited* (湖南博翔食品有限公司)	49.00%

FURTHER INFORMATION ABOUT OUR DIRECTORS

Particulars of the Service Contracts

Each of our Directors [has entered into] a service contract with the Company. The principal particulars of these service contracts comprise (a) the term of the service; (b) termination provisions; and (c) dispute resolution provision. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service contract with any member of the Group (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

Remuneration of Directors

For details of the remuneration of Directors, see "Directors and Senior Management — Remuneration of the Directors and Senior Management" and Note 14 in "Appendix I — Accountants' Report".

Disclaimers

(a) Save as disclosed in this Document, none of the Directors or any of the experts referred to in "Other Information — Qualifications and Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save as disclosed in this Document, none of the Directors or any of the experts referred to in "Other Information — Qualifications and Consents of Experts" below, is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of the Group.

(c) None of our Directors is a director or employee of a company that has an interest in the share capital of the Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

(d) Within two years immediately preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this Document.

(e) So far as is known to the Directors, none of the Directors or their close associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

SHARE SCHEMES

2021 Business Partner Stock Ownership Scheme

The Company adopted the 2021 Business Partner Stock Ownership Scheme in July 2021, which was outstanding as of the Latest Practicable Date. Given the 2021 Business Partner Stock Ownership Scheme does not involve issue of new Shares by the Company, the terms of the 2021 Business Partner Stock Ownership Scheme are not subject to the relevant provisions of Chapter 17 of the Listing Rules.

(i) ***Participants of the schemes***

The participants of the 2021 Business Partner Stock Ownership Scheme include directors (excluding independent directors), senior management and core managerial/technical/business personnel of the Company and its subsidiaries.

(ii) ***Source of shares and participants' interest in the scheme***

The Company has repurchased 3,851,575 A Shares from the open market and transferred such 3,851,575 A Shares to the designated account of the 2021 Business Partner Stock Ownership Scheme at nil consideration as set out under the 2021 Business Partner Stock Ownership Scheme. Each participant of the 2021 Business Partner Stock Ownership Scheme holds a certain percentage of interest in the scheme.

(iii) ***Term of the scheme***

The 2021 Business Partner Stock Ownership Scheme is valid for a period of 72 months commencing from the date of completion of transfer of the relevant A Shares from the repurchase securities account of the Company to the designated account of the 2021 Business Partner Stock Ownership Scheme, i.e. 15 July 2021 (the "**Commencement Date**").

(iv) ***Administration of the scheme***

The 2021 Business Partner Stock Ownership Scheme is subject to the approval of the Shareholders. Such scheme is administered by a committee (the "**Scheme Management Committee**"), the members of which are elected by the participants of the 2021 Business Partner Stock Ownership Scheme. The Scheme Management Committee oversees the day-to-day management of the 2021 Business Partner Stock Ownership Scheme and exercise shareholders' rights on behalf of the participants.

(v) ***Lock-up and vesting of the Shares***

The A Shares held by the 2021 Business Partner Stock Ownership Scheme are subject to a lock-up period of 24 to 60 months, commencing from the Commencement Date. After the expiry of the forgoing lock-up period, subject to attainment of performance targets and personal evaluation, the participants' entitlement to the corresponding portion of A Shares held by the Stock Ownership Schemes will be vested in four tranches in the proportion of 34%, 22%, 22% and 22%. Upon vesting, the Scheme Management Committee may choose to (i) sell vested A Shares and distribute the proceeds to the participants proportionately; or (ii) transferred the vested A Shares to the participants proportionately pursuant to the relevant laws and regulations.

(vi) ***Total number of shares held by the schemes***

As of the Latest Practicable Date, the total number of A Shares held by the 2021 Business Partner Stock Ownership Scheme was 2,720,275, representing approximately **[REDACTED]**% of the issued Shares immediately following the completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**).

The table below sets forth the details of the A Shares held by the 2021 Business Partner Stock Ownership Scheme as of the Latest Practicable Date:

Name of Stock Ownership Scheme	Number of Grantees	A Shares held by the scheme as of the Latest Practicable Date	Approximate percentage of issued Shares as of the Latest Practicable Date	Approximate percentage of issued Shares immediately after completion of the [REDACTED](1)
2021 Business Partner Stock Ownership Scheme	21	2,720,275	0.68%	[REDACTED]%

Note:

(1) The calculation is based on the assumption that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**.

2024 Employee Stock Ownership Scheme

The Company adopted the 2024 Employee Stock Ownership Scheme in May 2024, which was outstanding as of the Latest Practicable Date. Given the 2024 Employee Stock Ownership Scheme does not involve issue of new Shares by the Company, the terms of the 2024 Employee Stock Ownership Scheme are not subject to the relevant provisions of Chapter 17 of the Listing Rules.

(i) ***Participants of the schemes***

The participants of the 2024 Employee Stock Ownership Scheme include core employees of the Company and its subsidiaries and branches.

(ii) ***Source of shares and participants' interest in the scheme***

The Company has repurchased 1,981,500 A Shares from the open market, and transferred 1,710,800 A Shares to the designated account of the 2024 Employee Stock Ownership Scheme at the price as set out in the 2024 Employee Stock Ownership Scheme under the initial subscription. There is a reserved portion of 270,700 A Shares to be further transferred under the 2024 Employee Stock Ownership Scheme. Each participant of the 2024 Employee Stock Ownership Scheme holds a certain percentage of interest in the scheme.

(iii) ***Term of the scheme***

The 2024 Employee Stock Ownership Scheme is valid for a period of 60 months commencing from the date of completion of transfer of the relevant A Shares from the repurchase securities account of the Company to the designated account of the 2024 Employee Stock Ownership Scheme (the "**New Commencement Date**").

(iv) ***Administration of the scheme***

The 2024 Employee Stock Ownership Scheme is subject to the approval of the Shareholders. Such scheme is administered by a committee (the "**Scheme Management Committee**"), the members of which are elected by the participants of the 2024 Employee Stock Ownership Scheme. The Scheme Management Committee oversees the day-to-day management of the 2024 Employee Stock Ownership Scheme and exercise shareholders' rights on behalf of the participants.

(v) ***Lock-up and vesting of the Shares***

The A Shares held by the 2024 Employee Stock Ownership Scheme are subject to a lock-up period of 12 to 36 months, commencing from the New Commencement Date. After the expiry of the forgoing lock-up period, subject to attainment of performance targets and personal evaluation, the participants' entitlement to the corresponding portion of A Shares held by the Stock Ownership Schemes will be vested in three tranches in the proportion of 40%, 30% and 30%. Upon vesting, the Scheme Management Committee may choose to (i) sell vested A Shares and distribute the proceeds to the participants proportionately; or (ii) transferred the vested A Shares to the participants proportionately pursuant to the relevant laws and regulations.

(vi) ***Total number of shares held by the scheme***

As of the Latest Practicable Date, the total number of A Shares held by the 2024 Employee Stock Ownership Scheme was 1,710,800, representing approximately **[REDACTED]**% of the issued Shares immediately following the completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**).

The table below sets forth the details of the A Shares held by the 2024 Employee Stock Ownership Scheme as of the Latest Practicable Date:

Name of Stock Ownership Scheme	Number of Grantees	A Shares held by the scheme as of the Latest Practicable Date	Approximate percentage of issued Shares as of the Latest Practicable Date	Approximate percentage of issued Shares immediately after completion of the [REDACTED][(1)]
2024 Employee Stock Ownership Scheme	90	1,710,800	0.43%	**[REDACTED]**%

Note:

(1) The calculation is based on the assumption that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**.

2024 Stock Option Incentive Plan

The following is a summary of the principal terms of the 2024 Sstock Option Incentive Plan. Given no further share options are expected to be granted under the 2024 Stock Option Incentive Plan following the **[REDACTED]**, the terms of the 2024 Stock Option Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) ***Purpose***

The purpose of the 2024 Stock Option Incentive Plan is to improve the Group's corporate governance structure and incentive mechanism and incentivize the Group's key employees to realize the Group's development strategies and operation objectives. The 2024 Stock Option Incentive Plan is implemented to align the interests of the Shareholders with the interests of the Group and employee which will benefit the sustained development of the Group.

(ii) ***Administration***

The 2024 Stock Option Incentive Plan is subject to the approval of the Shareholders' meeting and the administration of the Board.

(iii) ***Participants***

The participants of the 2024 Stock Option Incentive Plan include key employees of the Company and its subsidiaries and branches.

(iv) ***Maximum number of options***

The shares underlying the options to be granted under the 2024 Stock Option Incentive Plan are A Shares to be issued by the Company to the incentive recipients. Each option granted represents the right to purchase one A Share within the exercise period at the exercise price. The maximum number of options that can be granted under the 2024 Stock Option Incentive Plan is 2,438,600.

(v) ***Date of grant and duration of the incentive plan***

Following the approval of the 2024 Stock Option Incentive Plan by the Shareholders' meeting, the Company shall hold a Board meeting within 60 days to make the first grant of options to the incentive recipients in accordance with relevant regulations. The grant date for the remaining options will be determined by the Board within 12 months following the approval of the 2024 Stock Option Incentive Plan by the Shareholders' meeting. The 2024 Stock Option Incentive Plan shall be valid for a term of 4 years commencing from the date of the grant of the options.

(vi) ***Conditions to the grant of options***

The options under the 2024 Stock Option Incentive Plan will only be granted to incentive recipients if the following conditions are fulfilled:

(a) with respect to the Company, none of the following circumstances having occurred: (1) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the Company's accountant's report for the most recent fiscal year; (2) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the internal control in financial report for the most recent fiscal year; (3) the Company has not distributed dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the last 36 months after its listing of A Shares; (4) applicable laws and regulations prohibit the implementation of any share incentive scheme; or (5) any other circumstances determined by the CSRC.

(b) with respect to a grantee, none of the following circumstances having occurred: (1) the grantee has been regarded as an inappropriate person by any stock exchange within the last 12 months; (2) the grantee has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months; (3) the grantee has been punished or prohibited from entering into the securities market by the CSRC or its local office due to material breach of applicable laws and regulations within the last 12 months; (4) the grantee is not qualified to serve as a director or senior management according to the PRC Company Law; (5) the grantee is prohibited from participating in any stock incentive of listed companies according to applicable laws and regulations; or (6) any other circumstances determined by the CSRC.

No consideration is payable for the options granted under the 2024 Stock Option Incentive Plan.

(vii) ***Exercise of options***

Options may be exercised by a grantee provided that (1) the conditions set out under paragraph (vi) above are fulfilled at the time of exercise of options; and (2) the corporate performance targets and individual appraisal targets as set out under the 2024 Stock Option Incentive Plan are achieved. The number of options granted and the exercise prices will be adjusted upon the occurrence of certain events, including increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision and consolidation of shares, share placing and distribution of dividends.

The exercise schedules of the options granted under the 2024 Stock Option Incentive Plan are either: (1) exercisable in tranches of 40%, 30% and 30% in each of the three 12-month exercise periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 48 months from the date of grant; or (2) exercisable in tranches of 50% and 50% in each of the two 12-month exercise periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 36 months from the date of grant.

The exercise of the options granted shall be on a trading day, which shall not fall within the following periods: (1) 30 days before the publication of annual report or interim report. If the publication date is delayed for special reasons, the period shall be 30 days before the original publication date to the actual publication date; (2) 10 days before the publication of earnings forecast, preliminary earnings estimate or quarterly report; (3) the period starting from the date of occurrence of any significant event that may have a material impact on the trading price of the Shares and its derivatives or the commencement of decision-making process in respect of such event to the date of announcement of such event; and (4) any other period stipulated by the CSRC and the Shenzhen Stock Exchange.

The grantees must exercise their options within the exercise period of the respective options. Upon the expiry of the exercise period, options granted but not exercised will cease to be exercisable and shall be canceled by the Company.

(viii) ***Outstanding options***

As of the Latest Practicable Date, the number of A Shares underlying the outstanding options granted under the 2024 Stock Option Incentive Plan amounted to 2,119,600 A Shares, representing approximately **[REDACTED]**% of the issued Shares immediately following the completion of the **[REDACTED]** (assuming that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**). As of the Latest Practicable Date, the outstanding options were held by 92 grantees, none of whom was a Director, member of the senior management or connected person of the Company.

Assuming full exercise of all outstanding options granted under the 2024 Stock Option Incentive Plan, the issued and outstanding shareholding of the Shareholders immediately following completion of the **[REDACTED]** will be diluted by approximately **[REDACTED]**%. The dilution effect on our earnings per Share would be approximately **[REDACTED]**%.

The table below sets forth the details of options granted to the grantees (who are not Directors, members of the senior management or connected persons of the Company) under the 2024 Stock Option Incentive Plan, categorized by the number of underlying shares, which were outstanding as of the Latest Practicable Date:

Category by number of underlying A Shares	Number of grantees	Date of grant	Number of A Shares underlying the outstanding options granted	Exercise price	Exercise period	A Shares underlying outstanding options as a percentage of issued Shares immediately after the [REDACTED][3]
5,000–20,000 . .	13	15 May 2024	225,600	RMB24.02[1]	16 May 2025 to 15 May 2028[2]	**[REDACTED]**%
20,000–25,000 .	79	15 May 2024	1,894,000	RMB24.02[1]	16 May 2025 to 15 May 2028[2]	**[REDACTED]**%

Notes:

(1) The exercise price is subject to adjustment upon the occurrence of certain events, including increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision and consolidation of shares, share placing and distribution of dividends.

(2) The options are exercisable in tranches of 40%, 30% and 30% in each of the three 12-month exercise periods that occur between the first trading date after 12 months from the date of grant and the last trading day up to 48 months from the date of grant.

(3) The calculation is based on the assumption that no new Shares are **[REDACTED]** under the **[REDACTED]** and our Shares Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**.

OTHER INFORMATION

Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall upon the Group.

Litigation

As of the Latest Practicable Date, so far as the Directors are aware, there is no litigation or claims of material importance pending or threatened against any member of the Group.

Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive a fee of US$500,000 for acting as the sponsor of the Company in connection with the **[REDACTED]** on the Hong Kong Stock Exchange.

Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained, or referred to, in this Document are as follows:

Name of Expert	Qualifications
CITIC Securities (Hong Kong) Limited	A licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) of regulated activities under the SFO
Deloitte Touche Tohmatsu . . .	Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Cap. 588)
Zhong Lun Law Firm	Company's PRC Legal Adviser
China Insights Industry Consultancy Limited	Independent industry consultant

Each of the experts named above has given and has not withdrawn its written consent to the **[REDACTED]** of this Document with the inclusion of its report, letter, and/or opinion (as the case may be) and references to its name included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the **[REDACTED]** and the **[REDACTED]**.

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 so far as applicable.

Bilingual Document

The English language and Chinese language versions of this Document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Compliance Adviser

The Company has appointed Gram Capital Limited as its Compliance Adviser in compliance with Rule 3A.19 of the Listing Rules.

Preliminary Expenses

The Company did not incur material preliminary expenses for the purpose of the Listing Rules.

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2024, being the end of the period reported on in the Accountants' Report in Appendix I to this Document, and up to the date of this Document.

Promoters

The promoters of the Company are Mr. Zhang, Nice Growth Limited, LT Growth Investment IX (HK) Limited, Shanghai Ziyou Songshu Investment Center (Limited Partnership), Gao Zheng Capital Limited, Liaoyuan Investment and Shanghai Ziyou Investment Management Company Limited.

Save as disclosed in this Document, within the two years immediately preceding the date of this Document, no cash, securities, or other benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the **[REDACTED]** or the related transactions described in this Document.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of the Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

Miscellaneous

Save as disclosed in this Document:

(a) Within the two years preceding the date of this Document, (i) no share or loan capital of the Company or any of its subsidiary has been issued or has been agreed to be issued 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 or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

(b) No share or loan capital of the Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option.

(c) There are no founder, management or deferred shares in the Company or any of its subsidiaries.

(d) The Company has no outstanding convertible debt securities or debentures.

(e) There is no arrangement under which future dividends are waived or agreed to be waived.

(f) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this Document.

(g) Save for A Shares of the Company that are listed on the Shenzhen Stock Exchange and H Shares to be **[REDACTED]** in connection with the **[REDACTED]**, none of the equity securities of the Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Appendix IV — Statutory and General Information — Further Information About Our Business — Summary of Material Contract"; and

(b) the written consents referred to in "Appendix IV — Statutory and General Information — Other Information — Qualifications and Consents of Experts."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.3songshu.com** during a period of 14 days from the date of this Document:

(a) the Articles of Association;

(b) the Accountants' Report and the report on the unaudited **[REDACTED]** financial information prepared by Deloitte Touche Tohmatsu, the texts of which are set out in "Appendix I — Accountants' Report" and "Appendix II — Unaudited **[REDACTED]** Financial Information", respectively;

(c) the audited consolidated financial statements of the Group for the years ended December 31, 2022, 2023 and 2024;

(d) the legal opinion from Zhong Lun Law Firm, the Company's PRC Legal Adviser, in respect of, among other things, the general matters and property interests of the Group under the PRC laws;

(e) the industry report prepared by China Insights Industry Consultancy Limited referred to in the section headed "Industry Overview" in this Document;

(f) the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures and the Guidelines for the Articles of Association of Listed Companies issued by the CSRC together with their unofficial English translations;

(g) the service contracts between each of the Directors and the Company referred to in "Appendix IV — Statutory and General Information — Further Information About Our Directors — Particulars of the Service Contracts";

(h) the material contracts referred to in "Appendix IV — Statutory and General Information — Further Information About Our Business — Summary of Material Contract";

(i) the written consents referred to in "Appendix IV — Statutory and General Information — Other Information — Qualifications and Consents of Experts"; and

(j) the terms of the 2024 Stock Option Incentive Plan.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a full list of all the grantees under the 2024 Stock Option Incentive Plan will be made available for public inspection at the Company's Hong Kong legal adviser's office at 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Document.