

INDUSTRY OVERVIEW

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OVERVIEW OF CHINA’S FRESH PRODUCT INDUSTRY

Fresh products primarily comprise vegetables, fruits, meat, seafood, and 3R (ready-to-cook, ready-to-heat, and ready-to-eat). According to CIC, China’s fresh product retail market has developed rapidly in recent years. The market size of China’s fresh product retail market (by GMV) increased from RMB5,724.3 billion in 2021 to RMB6,853.5 billion in 2025, representing a CAGR of 4.6%. Driven by rising disposable income and purchasing power, growing consumer demand for quality of life and healthy diet, the enrichment of retail channels, the continuous development of supply chain technology, and a series of encouraging policies promoting agricultural and rural modernization and food safety, China’s fresh product retail market still possesses huge potential for further growth. The GMV of China’s fresh product retail market is projected to further grow from RMB7,149.5 billion in 2026 to RMB8,445.1 billion in 2030, representing a CAGR of 4.3%.

Fresh products are essential consumer goods characterized by high purchase frequency and rigid demand. On average, consumers purchase vegetables and meat twice as frequently as fruits, approximately 20 times as frequently as hot pot ingredients, and four to five times as frequently as freshly-made tea beverages, or snacks.

CHINA’S FRESH PRODUCT INDUSTRY BY CONSUMPTION CHANNEL AND SCENARIO

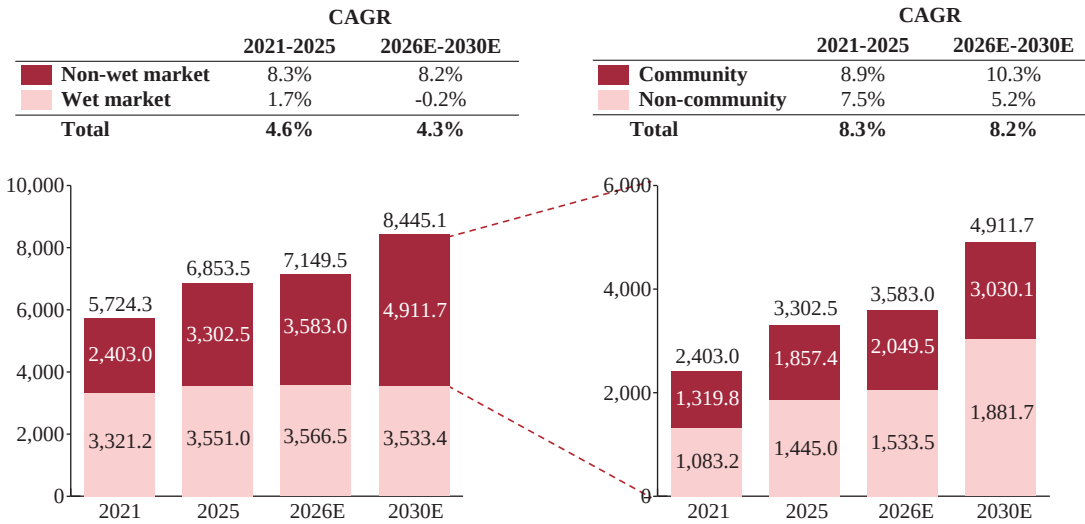
Due to extremely fragmented supply and demand across the upstream and downstream sectors, China’s fresh product retail industry is characterized by long distribution chains and multiple layers of wholesalers, resulting in high mark-up rates, high loss rates, low turnover, and uneven product quality.

Chinese consumers purchase fresh products through numerous channels, including relatively traditional formats such as wet markets, supermarkets and hypermarkets, traditional e-commerce platforms, and non-chain mom-and-pop stores that have existed for a long time, as well as emerging formats that have appeared in recent years such as community-based fresh product chains, on-demand e-commerce (frontline fulfillment grid and store-as-a-warehouse), and community group purchasing. Among these, wet markets have existed for a long time in the past and remain the primary channel for Chinese consumers to purchase fresh products. However, due to the inherent limitations of their business models, they cannot simultaneously satisfy consumer demands for fresh product in terms of food quality, variety, price favorability, and shopping convenience, nor can they solve the traditional pain points of China’s fresh product retail industry; consequently, their market size is gradually being eroded by other channels. The following chart sets forth the breakdown

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of China’s fresh product retail market by consumption channel and consumption scenario calculated by GMV (2021-2030E):

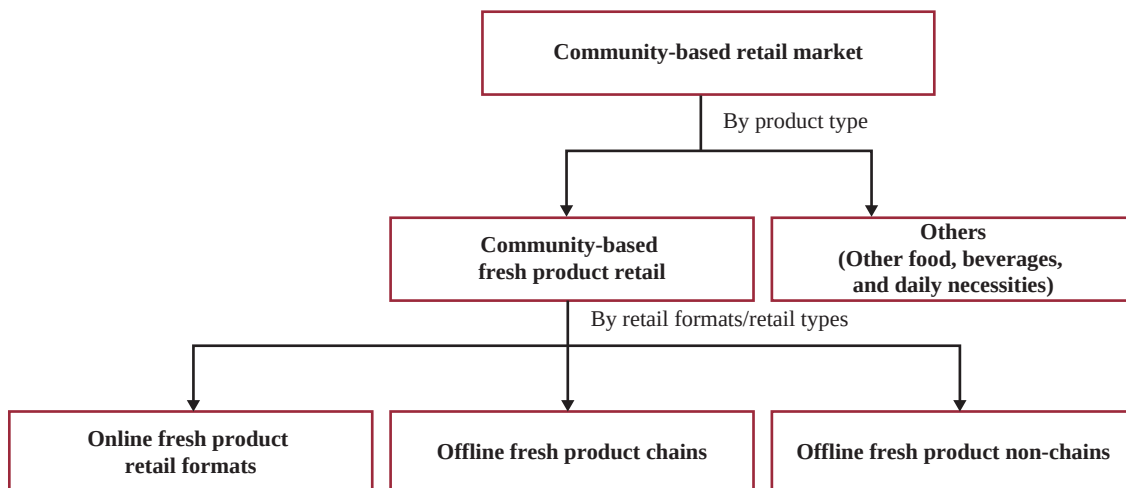
RMB billion



Source: CIC, National Bureau of Statistics, and International Monetary Fund

The non-wet market fresh product retail market can be further categorized into community and non-community scenarios. In 2025, nearly 60% of fresh product retail was completed within community scenarios, occupying the mainstream fresh product consumption. In community scenarios, consumers can purchase fresh products through diverse consumption channels, including community-based fresh product chains, community group purchasing, on-demand e-commerce (frontline fulfillment grid and store-as-a-warehouse), and non-chain mom-and-pop stores located in communities. Non-community scenarios primarily include supermarkets and hypermarkets, as well as traditional e-commerce.

The following chart further sets forth the segmentation of community-based retail market and community-based fresh product retail:



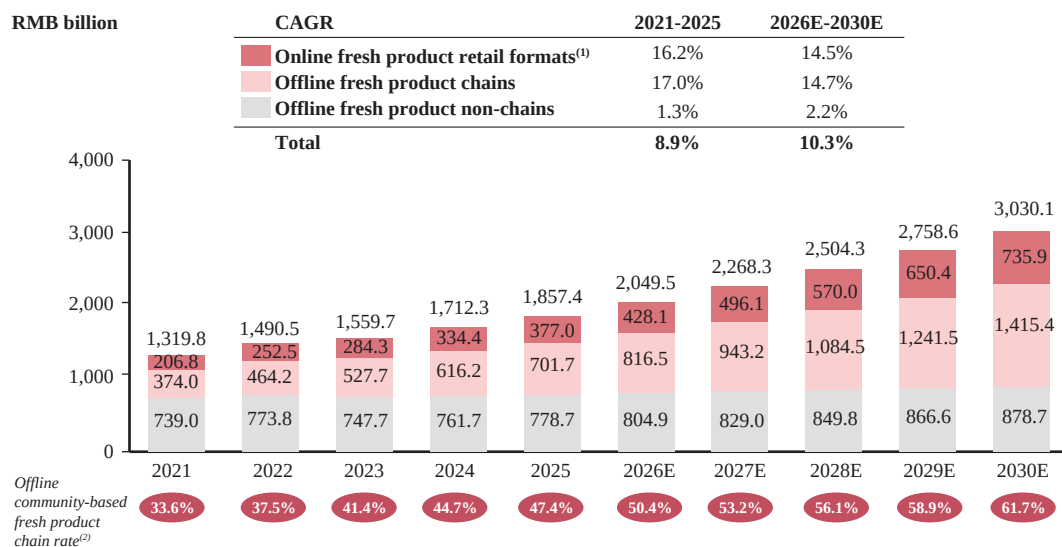
Source: CIC

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We believe that China’s community-based retail market is highly likely to incubate retail giants. Retail development experience in mature markets indicates that the formats of retail giants are highly adapted to the residential patterns of local residents. In China, residents live in high-density clusters within communities, thereby giving rise to an extremely large-scale community-based retail market. According to CIC, the scale of China’s community-based retail sales reached RMB3,953.9 billion in 2025 (calculated by the GMV of food, beverages, and daily necessities), accounting for nearly 40% of the total consumption scale of food, beverages and daily necessities in China during the same period, having become one of the most important retail scenarios in China. Concurrently, as consumer spending in communities revolves closely around cooking and meal preparation needs, accounting for nearly 50% of the total scale of community-based retail in 2025, a massive community-based fresh product retail market has been formed. According to information from CIC, the market size of China’s community-based fresh product retail market increased from RMB1,319.8 billion in 2021 to RMB1,857.4 billion in 2025, and is expected to further grow to RMB3,030.1 billion by 2030. Therefore, by analogy with mature markets, China’s community-based fresh product retail market has created a favorable environment for the birth of Chinese retail giants.

Given the immense potential inherent in China’s community-based fresh product retail market, a variety of innovative models have emerged around the community fresh products in recent years. Although online formats represented by community group purchasing and on-demand e-commerce (frontline fulfillment grid and store-as-a-warehouse) are developing rapidly in China’s community-based fresh product retail market, offline formats still accounted for nearly 80% of the community-based fresh product retail market in 2025, maintaining an absolute mainstream position. Due to the numerous varieties of fresh products, the significant impact of freshness on product quality, and the diversity of consumer demand for fresh products, offline formats allow core consumer groups for fresh products to assess product quality in person and select products best suited to their own tastes; thus, they will possess irreplaceable advantages over online formats in the long term. However, the offline community-based fresh product retail track still contains a large number of non-chain traditional mom-and-pop stores; in 2025, the chain rate of offline community-based fresh product retail was 47.4%, and it is expected that the chain rate will continuously increase to reach 61.7% in 2030.

The following chart sets forth the market size of China’s community-based fresh product retail market by different retail formats calculated by GMV (2021-2030E):



Source: CIC, National Bureau of Statistics

Notes:

- (1) Refers to the retail formats in community-based fresh product retail industry that mainly achieving fresh product transactions through online ordering, including on-demand e-commerce (frontline fulfillment grid and store-as-a-warehouse) and community group purchasing;

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- (2) Refers to the proportion of the retail sales value for fresh products through offline chains compared to the total retail sales value for fresh products through all offline retail formats in community-based fresh product retail industry.

OVERVIEW OF COMMUNITY-BASED FRESH PRODUCT CHAINS INDUSTRY

Community-based fresh product chains refer to a new retail format that takes offline store locations near residential communities as the core, supplemented by online sales, with residents of surrounding communities as the primary customer group. According to the national standard (GB/T 44591-2024 Specification for community freshstore service 社區生鮮店服務規範), Provisions on the Supervision and Administration of Food Sales Chain Enterprises Implementing Primary Responsibility for Food Safety (食品銷售連鎖企業落實食品安全主體責任監督管理規定) issued by the State Administration for Market Regulation, and China Chain Store & Franchise Association, “community-based fresh product store” refers to retail format located in high-density residential areas that primarily serve nearby residents, focusing on the sales of fresh products under unified settlement with brick-and-mortar retail outlets; “community-based fresh product chains” is a common industry-defined market segment referring to the chain format of such stores under unified and standardized management. The fresh product retail sales of such stores account for over 50%, the total number of stores exceeds 10, and the store area is less than 500 sq.m. Community-based fresh product chains can be further subdivided by product category into community-based comprehensive fresh product chains, community-based fruit chains, and other community-based fresh product chains targeting vertical categories of fresh products. The following chart sets forth the comparison of community-based fresh product chains with other retail formats by definition. Community-based fresh product chains are different from (1) traditional wet markets and non-chain mom-and-pop stores, which are non-chain and lack standardization of fresh products, and also different from (2) supermarkets and hypermarkets, whose primary offerings are not fresh products, and their store sizes are much larger.

	Community-based fresh product chains	Traditional wet markets	Supermarkets and hypermarkets	Non-chain mom-and-pop stores
Product range	<ul style="list-style-type: none">Fresh product retail sales accounted for over 50% (most players over 90%)Provided products with standardized and consistent quality	<ul style="list-style-type: none">Mainly limited to non-standardized fresh products without unified quality or packaging standards	<ul style="list-style-type: none">Fresh product retail sales usually accounted for approximately 10-30%Offered a full spectrum of merchandise such as daily necessities, personal care products, apparel, consumer electronics, maternal and infant products, and pet care products	<ul style="list-style-type: none">Fresh products account for a very small proportion of retail salesOffered a wide range of ambient, shelf-stable consumer goods such as beverages, packaged snacks, cooking condiments, tobacco, and basic household essentials
Store location	<ul style="list-style-type: none">Located near residential communitiesUtilized an omnichannel O2O model to satisfy frequent, daily meal preparation replenishment needs	<ul style="list-style-type: none">Located near residential communities, transportation hubs, old urban districts, or county centers, operating as conventional open-air marketplaces comprised of independent individual vendors with a combination of both mobile and fixed stallsNo online sales channel	<ul style="list-style-type: none">Usually not located near residential communities, while located within prime commercial centers, rural-urban fringe, and traffic arteriesUtilized an omnichannel O2O model to serve planned, one-stop stock-up demand	<ul style="list-style-type: none">Usually located near residential communities, township cores, school, or industrial factories with high foot trafficUsually no online sales channel
Store size	<ul style="list-style-type: none">Less than 500 sq.m	<ul style="list-style-type: none">Usually had massive scale larger than 500 sq.m	<ul style="list-style-type: none">Usually have massive scale larger than 500 sq.m	<ul style="list-style-type: none">Varied in size and lacked standardization due to their non-chained nature
Store number	<ul style="list-style-type: none">Chained with store number exceeded 10Operated as standardized, brand-unified chain networks	<ul style="list-style-type: none">Non-chain	<ul style="list-style-type: none">Chain or non-chain	<ul style="list-style-type: none">Non-chain

Source: CIC, China Chain Store & Franchise Association, Ministry of Agriculture and Rural Affairs of the People’s Republic of China, State Administration for Market Regulation, Standardization Administration of the People’s Republic of China

According to CIC, China’s community-based fresh product chains industry has experienced rapid development, with the market size growing from RMB374.0 billion in 2021 to RMB701.7 billion in 2025, achieving a CAGR of 17.0%; it is expected to continue growing from RMB816.5 billion in 2026 to RMB1,415.4 billion in 2030, with a CAGR of 14.7%. Community-based fresh product chains will become the primary model of community-based

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fresh product retail formats in the long term and maintain unique advantages over other formats, based on the following:

- ***China’s unique high density community structure makes community-based fresh product chains the optimal retail format.*** In 2025, the number of communities in China with over 1,000 households exceeded 80 thousand, widely distributed across cities of all tiers in China. Through offline stores centered around large and medium-sized communities within approximately 15 minutes’ walking distance for target customer groups, community-based fresh product chains can absorb the advantages of other formats and achieve full coverage of consumers by satisfying the needs of different customer groups through online Apps, mini-programs, and other channels. At the same time, consumers visiting offline stores for purchasing or self-pickup avoid high individual delivery fees, realizing low-cost fulfillment and high operational efficiency.
- ***Community-based fresh product chains are the format that best conforms to Chinese consumers’ fresh product shopping habits.*** Fresh products possess non-standard attributes; Chinese consumers, especially core consumer groups for fresh products, typically need to visit stores to make purchasing decisions based on the variety, freshness, and price of fresh products. Compared to other new retail formats, community-based fresh product chains can comprehensively satisfy consumers’ shopping habits, stimulating consumption through display and improving consumer satisfaction and stickiness through service.
- ***Regular customer economy drives high repurchase rates.*** Compared to the issue of non-standard service widely existing in other fresh product retail formats, the community-based fresh product chains model has made targeted improvements; standardized offline stores and warm service enable consumers to obtain a high-quality service experience, continuously deepening the emotional bond between stores and surrounding residents, and driving high consumer repurchase rates during this process, thereby reducing store customer acquisition costs.
- ***Providing powerful guarantees for the freshness of fresh products.*** Community-based fresh product chains specialize in fresh products, taking enhanced freshness as their mission; they establish professional and systematic fresh product standards, improve the standardization of fresh products, and utilize digital operation system to carry out strict quality control management and product traceability, facilitating consumers’ purchase of highly fresh products and providing food safety guarantees for consumers.

Key Growth Drivers of China’s Community-Based Fresh Product Chains Industry

The key growth drivers of community-based fresh product chains include:

- ***Increasing urban population density.*** China’s urbanization rate increased from 64.7% in 2021 to 67.9% in 2025, and is expected to further increase to 72.5% by 2030. The continuous urbanization process brings higher urban population density and community density, continuously enhancing the customer traffic and customer group scale covered by community-based fresh product chains.
- ***Miniaturization of family structure.*** According to the National Bureau of Statistics of China, the average population size of households in China decreased from 3.1 persons in 2010 to 2.5 persons in 2024. Under the trend of family miniaturization, the demand for one-stop bulk procurement has decreased, and consumers tend to reduce purchase quantities and increase purchase frequency.
- ***Increasing working hours leading to high time costs.*** According to the National Bureau of Statistics of China, the average weekly working hours per capita in China were 48.4 hours in 2025, significantly higher than those in major countries

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and regions such as Europe, the United States, Japan, and South Korea; longer working hours have led to a continuous increase in expectations for the convenience of daily consumption. The decrease in the number of households with full-time housewives has also resulted in a decrease in the time families spend on cooking, and a substantial increase in demand for small-scale fresh product retailers that are closer to communities as well as pre-processed fresh vegetables.

- ***Rising demand for value-for-money.*** While pursuing freshness and health, consumers are still price-sensitive. This is particularly evident in the fresh product industry, where consumers typically seek to obtain high-quality, fresh products at a reasonable price. In response to this demand, companies need to optimize their supply chains and improve procurement efficiency to ensure that consumers can enjoy high-quality products while experiencing exceptional value-for-money.

Future Development Trends of China’s Community-Based Fresh Product Chains Industry

- ***Operational standardization and digital intelligence.*** Community-based fresh product chains with brand awareness, standardized operational methods, and chain scale advantages will substitute other fragmented and independent formats, and the scale advantages and status of industry leaders will be further manifested in the future. The franchise model is gradually becoming the mainstream in the community-based fresh product chains industry. Industry leaders provide one-stop solutions to franchisees by constructing highly standardized operational systems and digital intelligence empowerment platforms, building core competitiveness for continuous and efficient expansion.
- ***Integration of online and offline scenarios.*** Community-based fresh product chains are primarily based on offline stores; in the future, they will continuously derive auxiliary models such as self-pickup points, online mini-programs, and APPs based on the age groups and consumption habits of the customers, integrating online and offline consumption and delivery scenarios to provide more intimate and convenient services around consumers’ multi-dimensional needs.
- ***Continuous improvement of supply chain capabilities.*** Industry leaders usually have efficient supply chains and strong product development capabilities to meet the increasingly diverse demands. For example, the introduction of 3R products helps address consumers’ demands for convenience. The ability to flexibly adjust product portfolio helps to better respond to changing demands. Moreover, through innovative supply chain management and accurate demand forecasting, companies can respond more quickly to market changes.

COMPETITIVE LANDSCAPE OF CHINA’S COMMUNITY-BASED FRESH PRODUCT CHAINS INDUSTRY

The competitive landscape of China’s community-based fresh product chains industry is relatively fragmented, with the top five players accounting for a combined fresh products GMV market share of 6.5% in 2025, indicating huge room for consolidation in this market in the future.

In terms of fresh products GMV from 2020 to 2025, the Company has been China’s largest community-based fresh product chain brand for six consecutive years; In 2025, the Company’s fresh products GMV in China reached RMB13.0 billion, representing a market share of 1.9% in the community-based fresh product chains industry. The community-based fresh product chains accounted for 10.2% of the overall China’s fresh product retail market in 2025. Meanwhile, in China’s broader fresh product retail market, the Company ranked seventh among fresh product chain operators by fresh products GMV in 2025, representing a

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market share of 0.9%, and was the only community-based fresh product chain brand among the seven largest market players. Moreover, the Company’s operational efficiency leads the industry; in 2025, the Company’s sales per square meter was the highest among the top five community-based fresh product chain brands in China and also higher than the industry average level of the community-based fresh product chains industry during the same period.

Top Five Companies in China’s Community-based Fresh Product Chains Industry, by Fresh Products GMV, 2025

Ranking	Company	GMV of fresh products ⁽¹⁾ , RMB billion	Market share ⁽²⁾ , %	Total GMV ⁽¹⁾ , RMB billion	Store number ⁽³⁾ , unit
1	The Company	13.0	1.9%	13.1 ⁽⁴⁾	2,831 ⁽⁵⁾
2	Company A ⁽⁶⁾	11.5	1.6%	12.1	11,566
3	Company B ⁽⁷⁾	10.2	1.5%	10.3	4,468
4	Company C ⁽⁸⁾	6.5	0.9%	6.9	2,400
5	Company D ⁽⁹⁾	4.3	0.6%	5.4	890
	Subtotal	45.5	6.5%		
	Total	701.7	100.0%		

Source: Annual report, CIC

Notes:

- (1) Only includes GMV in the Chinese Mainland (excluding the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China).
- (2) Market share refers to the each company’s GMV of fresh products, as a percentage of overall GMV of fresh products of the community-based fresh product chains industry.
- (3) Store number refers to the total number of stores in the Chinese Mainland (excluding the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China) as of December 31, 2025.
- (4) The total GMV of the Company including all categories and all regions reached RMB14.3 billion in 2025.
- (5) The total store number of the Company including all regions reached 2,904 as of December 31, 2025.
- (6) Company A is a Hong Kong-listed company founded in 2019 and listed in 2023, headquartered in Shanghai, China, and primarily sells ingredients for home meals. Company A has over 2,000 employees and 11,566 stores as of December 31, 2025.
- (7) Company B is a Hong Kong-listed company founded in 2001 and listed in 2023, headquartered in Shenzhen, Guangdong Province, China, and primarily sells fruits. Company B has approximately 2,174 employees and 4,468 stores as of December 31, 2025.
- (8) Company C is a private company founded in 2006, headquartered in Hangzhou, Zhejiang Province, China, and primarily sells fruits. Company C has approximately 2,400 stores as of December 31, 2025.
- (9) Company D is a private company founded in 1998, headquartered in Shanghai, China, with main businesses including planting, processing, supply chain, and retail sales of fresh products. Company D has approximately 890 stores as of December 31, 2025.

Industry challenges

- **Stricter food safety regulations.** In recent years, the government has strengthened food safety regulations and enforcement, requiring companies to prioritize food safety management and compliance across all stages of their operations. At the same time, consumer awareness of food safety has risen, with growing expectations about product quality. Companies need to reinforce their food safety control systems at critical stages, including raw material sourcing, storage and distribution, while enhancing traceability, consistency, and risk mitigation throughout the entire supply chain.
- **Intense market competition.** The community-based fresh product chains industry is highly fragmented. Similar chain stores with highly identical products lead to excessive price competition. In the future, community-based fresh product chains brands can enhance their competitiveness through digital innovation, brand building, and market expansion to cope with the market competition.

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Entry Barriers and Key Success Factors of China’s Community-Based Fresh Product Chains Industry

- ***Mature store network and robust expansion strategies.*** Extensive and dense store layout can greatly enhance consumption convenience and brand visibility, directly driving consumption growth and consolidating consumer loyalty. Relying on replicable single-store models, through strategic regional densification and entry into new markets, companies can efficiently cover target customer groups and strengthen supply chain synergies, continuously occupying consumer mindshare and laying the foundation for long-term success.
- ***Advanced supply chain management capabilities and comprehensive infrastructure construction.*** The perfection of cold-chain logistics and supply chain management systems is a key factor enabling market participants to reduce fulfillment costs and loss rates, and improve operational efficiency and food quality. The ability to stably and efficiently guarantee product freshness and high price-performance ratio requires long-term construction investment and experience accumulation.
- ***Strong product quality control capabilities and rich product portfolios.*** Due to the specific nature of fresh products, market participants need to possess professional product quality control capabilities. Leading market participants have formed mature business models, certain scale effects, and the bargaining power and management ability to conduct in-depth quality control at origin. In addition, diversified and differentiated product portfolios are also crucial in attracting consumers, such as leading enterprises launching 3R products (RTC, RTE, RTH), private label products, and customized products.
- ***Excellence in digital capabilities and in-depth understanding of user preferences.*** Leading community-based fresh product chains brands have established membership system with digital operational capabilities; based on massive user base and data resources accumulated through long-term operations, they conduct in-depth analysis of user behavioral habits and shopping preferences, which in turn reversely guides product selection, forming rich product selection experience and excellent product selection capabilities. Meanwhile, digitalisation is also applied to business processes such as procurement, warehousing, logistics, and store management, helping enterprises reduce costs and increase efficiency.

KEY CHANGES IN MAJOR COSTS AND PRICES

The producer price index is calculated using the previous year as a baseline of 100, indicating the relative price volatility compared to the preceding period. The producer price indices for vegetables, fruits, and seafood products in China remained relatively stable during the period from 2021 to 2025, with all indices fluctuating within a narrow range close to the 100 baseline. The vegetables price index hovered between 95.9 and 105.6 over the period. The fruits and seafood products indices also saw mild fluctuations around 100, with readings ranging from 95.8 to 106.6 and 98.4 to 108.8 respectively. In the future, the price index of vegetables is expected to settle around 96 to 106; with short growth cycles, vegetables feature strong supply-side flexibility, with prices showing seasonal volatility yet long-term stability. Fruits are anticipated to experience a fluctuating increase with a projected price index of 96 to 107, driven by escalating production costs and a continuous upgrade in overall fruit quality. Similarly, seafood products are expected to fluctuate upward within a price index range of 98 to 109, driven by consumption upgrades where rising demand for premium, healthy options allows high-quality products to command stronger price premiums, alongside potential supply disruptions from extreme weather events.

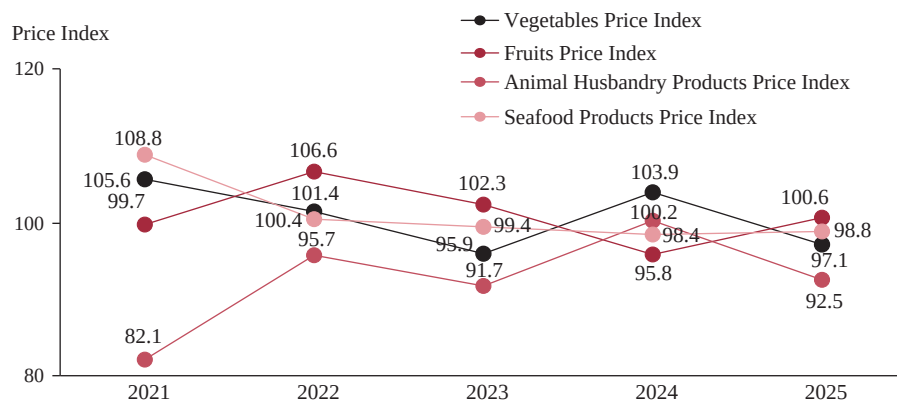
However, due to fluctuations in pork prices, the fluctuation range of the animal husbandry product price index (including meat/pork, poultry, and eggs) was relatively large. In 2019, African Swine Fever caused a decline in pig production and a rise in pork prices.

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Subsequently, with the recovery of pig production from 2021, pork prices in China fell back accordingly, driving a corresponding decline in the overall animal husbandry product price index during the period from 2021 to 2023. The pork price index decreased from 109.0 in 2024 to 88.8 in 2025, which was affected by a short-term excess supply from high breeding sow inventory during 2023 and 2024. In the future, driven by factors like policy support and scaled farming, China’s pork supply-demand gap will remain moderate, and the price index may exhibit narrow-range fluctuations. Due to the compensatory effect of alternative proteins like beef and mutton, the price index of husbandry product is expected to settle at around 95-105 in the long run. Furthermore, the price trends for chilled and prepared foods in the future are primarily tied to movements in their raw material costs such as vegetables and meat.

China’s Producer Price Indices for Vegetables, Fruits, Animal Husbandry Products, and Seafood Products

Index (Previous Year=100), 2021-2025



Source: CIC, National Bureau of Statistics

SOURCE OF THE INDUSTRY INFORMATION

We engaged CIC, an independent market research consultant, to conduct an analysis of, and to prepare a report on the fresh product retail industry in China for use in this document, which was commissioned by us for a fee of RMB1,488 thousand. 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 and disclosures of listed companies.

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 catering market, 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.