



STRICTLY PRIVATE AND CONFIDENTIAL

Date: 21 March 2025

The Board of Directors
Jiangsu Horizon Chain Supermarket Company Limited
Room 2109
21st Floor
C C Wu Building
302-308 Hennessy Road
Wanchai
Hong Kong

Dear Sirs/Madam,

Listing of the shares (the "Listing") of Jiangsu Horizon Chain Supermarket Company Limited 江蘇宏信超市連鎖股份有限公司 (the "Company") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") - Report of Internal Control Expert

In accordance with our engagement letter dated 20 January 2025, SHINEWING Risk Services Limited is appointed to provide compliance procedures review (the "**Review**") for the Company and its subsidiaries (collectively referred to as the "**Group**"), which forms part of the due diligence enquiries relating to the Listing.

The objective of the Review is to assess and identify significant weaknesses on the compliance procedures regarding certain food safety issues, and to make appropriate recommendation thereof. Our scope includes (i) selection of food suppliers; (ii) procurement; (iii) quality check upon delivery by suppliers; (iv) logistics and warehouse conditions; and (v) procedures to check food expiry and disposal of expired or rotten food products.

We have conducted the Review in November 2024. The internal control measures established by the Group are summarised as follow:

Selection of food suppliers

- Before adding a food supplier to the list of approved suppliers, the Group shall require the food supplier to provide certifications for food safety and quality. The Group shall require the food suppliers to provide a copy of valid business licences, food production licences, food operation licences, food quality compliance certificates, trademark registration certificates, test reports issued by independent third parties in respect of products, quality inspection compliance reports, mandatory certificates (for food subject to national mandatory certification), inspection and quarantine certificates for imported food, procurement invoices (if applicable). The Group monitors the food suppliers of food by regular assessment and requests updated licences and registrations from time to time. If the food products supplied by a supplier fail to meet the required food safety and quality standards, or if there is any material food safety or quality issue concerning such supplier, the Group may suspend or terminate the procurement from such supplier. The Group shall only renew procurement agreements with the food suppliers if the suppliers continue to meet the qualifications

Procurement

- The Group prohibits the procurement team from procuring food products that (i) are produced by non-food raw materials, harmful substances or recycled food; (ii) are supplied by companies



without necessary licences; (iii) contain pathogenic microorganisms, pesticide residues, veterinary drug residues, heavy metals, pollutants, and other harmful substances exceeding food safety standard limits; (iv) are spoiled, contaminated or adulterated; (v) are from poultry, livestock, or aquatic animals that are dead from disease, poisoning, or unknown causes; (vi) are uninspected or non-quarantined meat; (vii) are contaminated by packaging materials, containers, transport vehicles, etc.; (viii) are expired; or (ix) are prepackaged without labels or proper labels; (x) fail to meet food safety standards or requirements.

- The Group shall request the suppliers to only supply products with labeling with details of products including origin, name and address of the manufacturer, ingredients, specifications, grading, date of production, shelf life, warning and usage (if any) in compliance with the relevant laws and regulations. The procurement team shall inspect food packaging labels to ascertain whether such labels are in compliance with the relevant laws and regulations. In addition, all of the suppliers are required to warrant the accuracy and completeness of such product information that are necessary in the labeling for the Group to assess the safety and quality of the target products, in compliance with the relevant laws and regulations.

Quality check upon delivery by suppliers

- In general, upon delivery of the products, the incoming products shall be inspected based on the corresponding purchase orders or contracts. If the quality, specifications, or quantity of a batch of products delivered does not match the purchase order or contract, the Group will not accept the batch of goods and will proceed with the relevant return process.
- The Group has different inspections for different kinds of food upon delivery by the suppliers. The quality control officers shall perform quality controls on food products on a daily basis upon their delivery to the distribution centre or retail stores, including checks and inspections on their appearance, packaging, names and information of products, bar codes, production and/or expiry dates, quantities and quality. For raw and fresh food including vegetable, fruits, meat and seafood, the suppliers shall provide a pesticide residue testing report issued by a qualified third-party testing agency upon delivery of products. The Group will assess the authenticity and validity of the report to check if the products comply with national and industry standards. Before the raw and fresh food is stored, the Group shall conduct sample testing in its laboratory to detect pesticide residue and ensure the accuracy and timeliness of the test results. The Group shall also retain certain samples of each batch of raw and fresh food for not less than 48 hours to facilitate traceability and investigation in case of any food safety issue. For quality checks and inspections, the Group shall also give top priority to perishable food products to ensure their qualities are in compliance with the agreed and regulatory standards so that they are then supplied at an acceptable level of freshness to the customers.

Logistics and warehouse conditions

- The warehouse team stationed in the distribution centre and warehouses shall perform designated check procedures upon delivery of products to the distribution centre and warehouses. These quality checks include checks on brand name, quantity ordered, barcode of products, product appearance, smell, packaging, date of expiry and net weight.
- Besides, the Group's distribution centre and warehouses are equipped with fire protection and temperature and humidity control systems, with the relevant results recorded. The logistics teams are also responsible for monitoring and recording the temperature of the cold storage section of the distribution centre and warehouses and to avoid over-stacking or compression of products in the cold storage section, so as to prevent any quality issues arising from unexpected or accidental changes or fluctuations of temperature in the cold storage section of the distribution centre and warehouses.



Procedures to check food expiry and disposal of expired or rotten food products

- Food products are stored in the Group's distribution centre and warehouses by batch and on a first-in first-out principle to prevent expiration and for better management of shelf life of products. Warehouse staff and relevant personnel will conduct regular inventory checks on the stock, and verify the product information and quantity registered in the ERP system based on the results of such checks. During the inventory checks, the shelf life of the products will be checked, and products approaching their expiry dates will be listed separately, with the expiry dates marked to determine whether disposal is necessary. If any product is found to be rotten, they should be disposed of promptly.
- After the Group's products are delivered to the retail stores for sale, the store manager is responsible for supervising the front-line sales staff to conduct regular checks on the in-store products, so as to maintain the safety and quality of the in-store inventory and to ensure the expired products be removed from the shelves. A designated section or display for near-expiry food products, with clear signage stating "Near-Expiry Food Area" and "Please consume before expiry date" shall be established. For food products which are vulnerable to various quality influential factors, such as storage temperature, packaging method and standard and nature and substances of products, notwithstanding that the specific products have not expired yet, the store manager is responsible for supervising its front-line sales staff to conduct additional quality checks regularly.

Based on the findings and the work performed by us, we have confirmed that there are no material deficiencies relating to the aforesaid enhanced internal controls on supplier selection and food safety, and there are no matters identified suggesting these enhanced internal control measures are inadequate or ineffective.

Yours faithfully,

SHINEWING RISK

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