

**2019 Corporate Social Responsibility Report of
Yonghui Superstores
——Become Perfect Through Integration and
Sharing**

(April 2020)



Important Tips

The Company and all members of the Board of Directors guarantee that the information disclosed is true, accurate and complete, and there are no false records, misleading statements or major omissions.

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About the Report

Time Range This report is the 10th Corporate Social Responsibility Report of Yonghui Superstores Co., Ltd. The time range of the report is mainly from January 1 to December 31, 2019. Some information dates back to 2018 and before or extends to 2020.

Scope of Organization This report comprehensively expounds the performance and management measures of Yonghui Superstores Co., Ltd. and its subsidiaries (hereinafter referred to as "Yonghui Superstores", "Yonghui", "We" or the "Company") in fulfilling their social responsibilities in 2019, which focuses on the concerns of stakeholders.

Release Cycle Yonghui Superstores' Corporate Social Responsibility Report is an annual report.

Data Description The 2019 data quoted in this report are the final statistics. In case of any discrepancy between the financial data and the annual report, the annual report shall prevail.

Reference Standards The basic framework of this report refers to the *Guideline for the Preparation of the Report on Performance of Corporate Social Responsibility by Shanghai Stock Exchange*, *Chinese CSR Report Preparation Guide by the Chinese Academy of Social Science (CASS-CSR 2.0)* and the *ISO26000 Guidance on Social Responsibility*. As one of the constituent stocks included into the MSCI, Yonghui Superstores also actively draws reference from the topics of MSCI ESG (Environment, Society and Governance) rating and excellent practices in related fields in the world, and compiles the report in combination with its current development level and actual situation of fulfilling social responsibilities.

Contact Information This report is published in both print and electronic version. To obtain the electronic version of the report, please visit the website of Shanghai Stock Exchange: <http://www.sse.com.cn>, or

Website of Yonghui Superstores: <http://www.yonghui.com.cn>

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About Us

Yonghui Superstores was established in 2001 and listed on the Main Board of Shanghai Stock Exchange in 2010 (stock code: 601933). It is one of the top 500 Chinese enterprises and is also a national leading enterprise in "circulation" and "agricultural industrialization". In more than ten years of operation, Yonghui Superstores has received many honors, such as "National Advanced Enterprise for Employment" "National May Day Labor Award" issued by the State Council.

Yonghui Superstores is one of the first circulation enterprises in mainland China to introduce fresh agricultural products into modern supermarkets. It has been praised by seven ministries and commissions of the state as a model for the promotion of China's "Transforming Wet Markets into Supermarkets" and by the people as "A Supermarket for People's Livelihood". After years of development, Yonghui Superstores has developed into a large group enterprise with retail industry as the leading business, modern logistics as the support, modern agriculture and food industry as the branch lines, and industrial development as the foundation. Adhering to the concept of "integration and sharing" and "competition and cooperation" to pursue a larger market, Yonghui will jointly prosper China's retail market with domestic and overseas retail enterprises. At present, there are more than 900 supermarket chains in 529 cities of 24 provinces including Fujian, Zhejiang, Guangdong, Chongqing, Guizhou, Sichuan, Beijing, Shanghai, Tianjin, Hebei, Anhui, Jiangsu, Henan, Shaanxi, Heilongjiang, Jilin, Liaoning, Shanxi, Jiangxi, Hubei, Hunan, Yunnan, Guangxi, Ningxia, with business area of more than 6 million square meters, ranking 6th among China's top 100 chain enterprises and 4th among China's top 100 fast moving consumer goods chain enterprises.

In a rapidly changing social environment, Yonghui Superstores actively undertakes the social responsibility as a corporate citizen, committed to playing a leading and backbone role in actions such as docking farmer's markets and supermarkets, stabilizing price of agriculture products to secure supply, emergency disaster relief, and solving the problem of "lack of sales channels and high price of agriculture products"; it has enthusiastically devoted itself to public welfare undertakings such as charity supermarkets, assisting students and education, helping the poor and needy, helping the disabled and orphans, and disaster relief. Since 2015, it has donated more than 200 million yuan worth and materials and cash to the society.

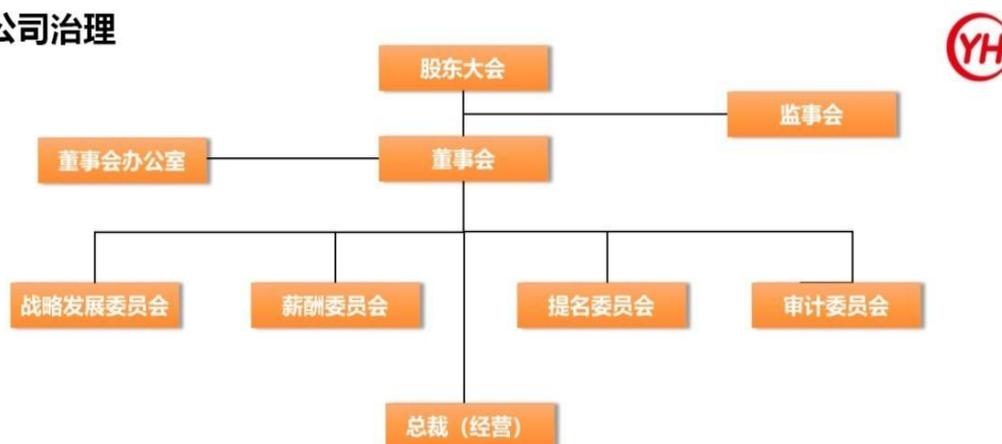
In the coming years, Yonghui will steadily expand to multiple regions in China. It will focus on building the "Yonghui at the door", "Fresh Yonghui" and "Safe Yonghui". With "Green Yonghui", "Scientific Yonghui" and "Cultural Yonghui" as the goals, developing itself into a national fresh food supermarket with 100 billion chains, becoming one of the top chain enterprises in China, and striving hard to realize the Chinese dream of the great rejuvenation of China's retail industry.

Chapter I Corporate Governance

1.1 Corporate governance

In accordance with the requirements of relevant laws and regulations such as the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and the *Code of Corporate Governance for Listed Companies in China*, Yonghui Superstores has continuously improved and perfected its corporate governance structure, made great efforts to strengthen the standardization and legalization of the "three meetings", improved its internal control system, and further realized standardized operation. It has also further clarified the scope of powers and responsibilities and working procedures among the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and senior management.

公司治理



公司治理	Corporate Governance
股东大会	General Meeting of Shareholders
监事会	Board of Supervisors
董事会	Board of Directors
董事会办公室	Office of the Board of Directors
战略发展委员会	Strategic Development Committee
薪酬委员会	Remuneration Committee
提名委员会	Nomination Committee
审计委员会	Audit Committee
总裁 (经营)	President (Operations)

General Meeting of Shareholders

The General Meeting of Shareholders is the Company's authority. The Company has established and improved effective channels to communicate with shareholders and thus ensure that all shareholders enjoy equal status and the right to know, participate and vote on

major issues of the Company. On December 20, 2018, the General Meeting of Shareholders of Yonghui Superstores deliberated and passed the *Proposal on the Work Report of the Third Board of Directors of the Company* and the *Proposal on the Work Report of the Third Board of Supervisors of the Company* and other proposals, and elected the fourth board of directors (Benjamin William Keswick, Zhang Xuansong, Zhang Xuanning, Ian McLeod, Liao Jianwen and Li Guo were elected as directors of the Company, and Xu Ping, Fang Qing and Liu Xiaopeng were elected as independent directors of the Company); The fourth board of supervisors was elected (Lin Zhenming, Zhu Wenjuan and Xiong Houfu were elected as supervisors, and Chen Ying and Zhang Jianzhen were elected and recommended as employee representative supervisors by the Company's trade union). At 14: 00 p.m. on July 18, 2019, relevant officials of Yonghui Superstores participated in the 2019 Collective Open Day for Investors of Listed Companies in Fujian Area jointly organized by Fujian Securities Regulatory Bureau and Shenzhen Panorama Network Co., Ltd. to actively respond to the concerns of shareholders and investors.

Yonghui Superstores is developing towards a more socialized and internationalized public company. The ownership structure of the Company's major shareholders is as follows:

The Dairy Farm Company Group, Limited holds 1,913,135,376 shares of the Company, accounting for 19.99% of the total share capital of the Company;

Mr. Zhang Xuansong holds 1,407,250,222 shares of the Company, accounting for 14.70% of the total share capital of the Company;

Mr. Zhang Xuanning holds 743,811,240 shares of the Company, accounting for 7.77% of the total share capital of the Company;

Jiangsu Jingdong Bangneng Investment Management Co., Ltd. holds 615,455,766 shares of the Company, accounting for 6.43% of the total share capital of the Company;

Jiangsu Yuanzhou E-Commerce Co., Ltd. holds 478,523,104 shares of the Company, accounting for 5.00% of the total share capital of the Company;

Linzi Tencent Technology Co., Ltd. holds 478,523,106 shares of the Company, accounting for 5.00% of the total share capital of the Company.

Board of Directors

The Board of Directors is the decision-making body of the Company and reports to the General Meeting of Shareholders. On December 20, 2018, the Company held the first meeting of the fourth board of directors of Yonghui Superstores, where Benjamin William Keswick was elected as the Rotating Chairman and Zhang Xuansong as the Executive Director and Legal Representative of the Company. The participating directors unanimously agreed to elect Benjamin William Keswick, Zhang Xuansong, Zhang Xuanning and Li Guo to form the Strategic Development Committee of the 4th Board of Directors of Yonghui

Superstores Co., Ltd., of which Benjamin William Keswick concurrently serves as the director of the Committee. Liu Xiaopeng, Zhang Xuansong and Xu Ping were elected to form the Nomination Committee of the 4th Board of Directors of Yonghui Superstores Co., Ltd., of which Independent Director Liu Xiaopeng concurrently serves as the director of the Nomination Committee. Directors Fang Qing, Zhang Xuansong and Xu Ping were elected to form the Remuneration Committee of the 4th Board of Directors of Yonghui Superstores Co., Ltd., of which Independent Director Fang Qing concurrently serves as the director of the Remuneration Committee. Directors Xu Ping, Zhang Xuanning and Liu Xiaopeng were elected to form the Audit Committee of the 4th Board of Directors of Yonghui Superstores Co., Ltd., of which Independent Director Xu Ping concurrently serves as the director of the Audit Committee. The resolution of the Board of Directors on the election of the Chairman was added.

Board of Supervisors

The Board of Supervisors is the supervisory body of the Company and is responsible to the General Meeting of Shareholders of the Company. The fourth Board of Supervisors was elected on December 20, 2018 (Lin Zhenming, Zhu Wenjuan and Xiong Houfu were elected as supervisors, and Chen Ying and Zhang Jianzhen were elected and recommended as employee representative supervisors by the Company's trade union). Lin Zhenming was elected as Chairman of 4th Board of Supervisors at the first meeting of the 4th Board of Supervisors.

Senior Management

The Senior Management is the executive body of the Company and is fully responsible for the daily operation and management under the leadership of the Board of Directors. On December 20, 2018, upon nomination by Mr. Li Guo, the fourth Board of Directors agreed to appoint Ms. Li Jing and Ms. Luo Wenxia as vice presidents of the Company. Due to the development needs of the Company, on June 12, 2019, the sixth meeting of the fourth Board of Directors of the Company decided to appoint Li Guo as president of Yonghui Superstores Co., Ltd., appoint Wu Guangwang as executive vice president of Yonghui Superstores, and Wu Limin, Zeng Fengrong and Yang Li as vice presidents of the Company. The resolution of the Board of Directors on the appointment of Li Guo and Wu Limin was added.

The division of labor among senior management is as follows:

CEO Li Guo

Be fully in charge of the work of the Company and responsible for the Company's operation, directly manage the supply chain business, door-to-door business and planning center, and assist the Strategic Development Committee, Remuneration Committee, Nomination Committee, Audit Committee and Internal Control Committee in their work.

Executive Vice President Wu Guangwang

Responsible for coordinating the business of each section under the leadership of the Board of Directors.

Responsibilities: Strategic investment and mergers and acquisitions, post-investment management; engineering center and material allocation (including large-scale engineering projects and schedule control, project procurement and cost control, project quality management and safety management, material allocation and procurement, etc.)

Departments in charge: Investment Department, Engineering Center and Material Allocation Department.

Vice President Peng Huasheng

Responsibilities: The operation of the second region, the exploration of innovative businesses and the development of new business forms.

Departments in charge: Region 2, Mini Special Project.

Vice President and CFO Wu Limin

Responsibilities: Corporate finance and work related to Yonghui Finance.

Departments in charge: Financial Center and Yonghui Finance.

Vice President Luo Wenxia

Responsibilities: Business development, investment promotion and public affairs.

Departments in charge: Business Development Department, Investment Promotion Department and Public Affairs Department.

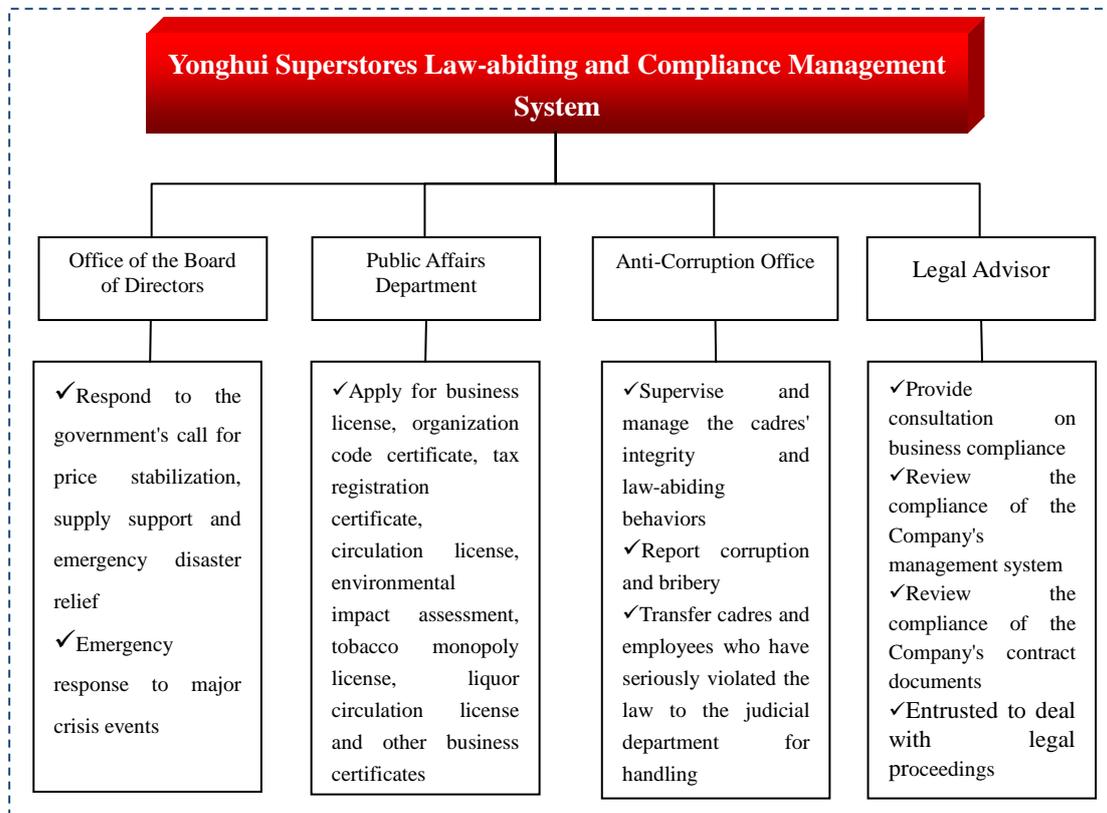
Vice President Zeng Fengrong

Responsibilities: Logistics business including constant temperature logistics, normal temperature logistics, new retail logistics, transportation operation, planning and design, etc.

Departments in charge: Logistics Center.

1.2 Operation Compliance

Law-abiding and Compliance System



Law-abiding and Compliance Measures

(1) Yonghui Superstores employs lawyers to review and verify the relevant documents of the General Meeting of Shareholders in accordance with relevant laws and regulations, and issues legal opinions, so as to ensure that the convening procedures, qualifications of participants and voting results of the meeting conform to the provisions of laws and regulations and the articles of association of the Company.

(2) Yonghui Superstores has set up the Public Affairs Department and assigned designated personnel to apply for business licenses, tax registration certificates and other certificates. Under the guidance of local authorities of industry and commerce, taxation, health and other departments, the Public Affairs Department and the designated personnel handle routine administrative review and approval matters in a timely manner such as applying for business certificates and annual inspections.

(3) Yonghui Superstores hangs integrity warning signs and discloses supervision telephone numbers in the offices of key positions such as purchasing, store manager office and goods

receiving to prevent illegal and disciplinary acts such as accepting or soliciting bribes.

(4) In 2017, the Internal Control Management Committee issued *Integrity System, Gift Policy, Integrity Reporting and Reward System* and *Open Letter on Regulating Business Conduct* through the OA system and other means to strengthen internal compliance supervision.

(5) Yonghui Superstores re-established the "Anti-Corruption Office" in 2019, and prepared and issued the *Guiding Opinions of Yonghui Superstores Co., Ltd. on Establishing a Long-term Working Mechanism for Honest Practitioners (Trial), Several Provisions on Honest Practitioners of Yonghui Superstores Co., Ltd. (Trial), Rules for Case Investigation of Yonghui Superstores Co., Ltd. (Trial)* and *Detailed Rules for Implementation of Patrol Inspection of Yonghui Superstores Co., Ltd. (Trial)*.

In addition, the Company posts the *Integrity Announcement of Yonghui Superstores* in the suppliers' companies, inviting its partners to supervise the Company's integrity work:



In June 2017, Kantar Retail, a well-known international retail consulting company, released the results of the 2016 China PoweRanking Retail Survey. Yonghui Superstores moved up to the third place and became one of the most potential retailers from the perspective of manufacturers.

Yonghui Superstores has always insisted on operating in accordance with the law and advocated cadres and employees to be honest and abide by laws and regulations. The Company regularly or irregularly invites public security and law enforcement personnel to hold special lectures, creating an uncorrupted, law-abiding and dedicated working atmosphere. The cadres and employees are strict with themselves and abide by laws and regulations, public order and good customs in their work and life.

Chapter II Social Responsibility Governance

2.1 Structure of Social Responsibility Governance

Concept of Corporate Social Responsibility	
Core Business	<p>Provide daily food and supplies and shopping services for the general public;</p> <p>"Transforming Wet Markets into Supermarkets" has not changed customers' original purchasing methods, but has improved customers' shopping experience and quality of life;</p> <p>Stress the social responsibility of enterprises and continuously improve customer service and food safety;</p> <p>Provide opportunities for tens of thousands of employees to start businesses and develop their careers;</p> <p>Focus on and promote the commercial prosperity of the business circle where they are located;</p> <p>Contribute to the improvement of the living standards of the residents in the city and community where they are located;</p> <p>Strive for the great rejuvenation of China's national retail industry</p>
Corporate Mission	<p>Lead modern agriculture and protect people's health</p> <p>Provide safe, healthy and cost-effective food to meet the needs of users</p>
Corporate Vision	<p>Appeal to users and make starting business easier</p> <p>Become a leading enterprise in the integration of agricultural industry and circulation in China</p> <p>Become the most respected enterprise and the best employer in China's retail industry</p>
Business Philosophy	<p>Yonghui at the door, fresh Yonghui and safe Yonghui</p> <p>Green Yonghui, Scientific Yonghui and Cultural Yonghui</p>
Social Commitment	<p>A Supermarket for People's Livelihood:</p> <p>Provide customers with inexpensive and high-quality goods and convenient shopping services;</p> <p>Provide and sell commodities closely related to people's daily life;</p> <p>Adhere to the "Popularization" operation mode and take families as target customers;</p> <p>Adhere to small profits but quick turnover and increase traffic;</p> <p>Make great efforts to create a good shopping environment and establish the social image of affordable supermarkets;</p> <p>Yonghui not only belongs to entrepreneurs, but also belongs to employees. And it will finally belong to the public in the future;</p> <p>Yonghui stores are set up in communities. Yonghui employees come from communities and Yonghui serves community customers;</p>

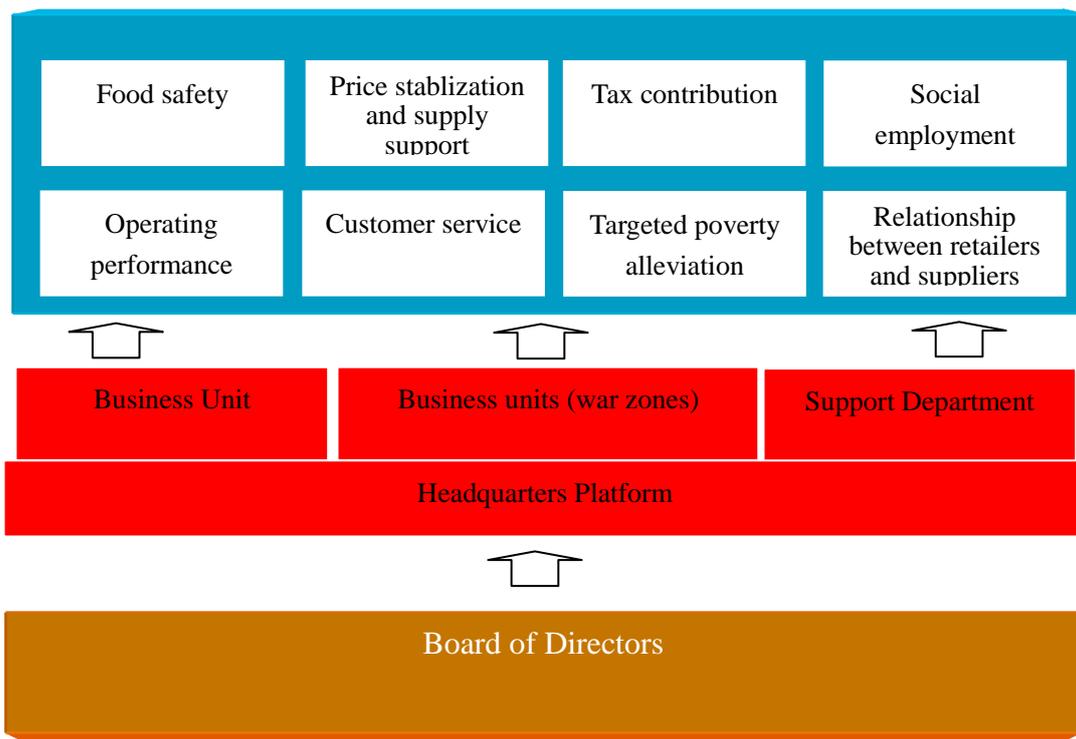
	<p>Yonghui is a platform for employees, customers, suppliers and shareholders to develop together;</p> <p>Yonghui pursues to establish a benign and interactive social relationship, so that the whole society will care about and support Yonghui's development, and Yonghui can better give back to the society through our development.</p>
Core Values	<p>Become Perfect Through Integration and Sharing: Only by helping others to succeed can one succeed Treat others the way we treat our families Change fate with our own hands, start a business for ourselves and families</p>

Social Responsibility Management System

Yonghui Superstores is moving towards the direction of "standardization, scientization and modernization" and constantly strengthening the construction of the Company's management system. We have established such systems as *Social Responsibility System of Yonghui Superstores Co., Ltd.* and *Investor Relations Management System of Yonghui Superstores Co., Ltd.*, which have established the basic principles and core contents in fulfilling the social responsibility, clarified that the Board of Directors of the Company should regularly inspect and evaluate the implementation and existing problems of the Company's social responsibility system and form a corporate social responsibility report. At the same time, the independent directors and the Board of Supervisors of the Company have the right to put forward opinions and suggestions on the Company's performance of social responsibility.

Social Responsibility Leadership Organization

The Board of Directors of Yonghui Superstores is the highest leading organization for Yonghui Superstores to fulfill its social responsibility. Each war zone and store are working organizations for social responsibility and undertake to fulfill its due social responsibility according to the principle of "division of labor and cooperation, and each department performs its own duties and fulfills its own duties". Each working organization should assign designated personnel or generalists to be responsible for implementing the assigned social responsibility.



Core Areas of Corporate Social Responsibility

Yonghui Superstores actively undertakes the social responsibility as a corporate citizen, adheres to the principle of "Value of Yonghui", strives to create value for the society, and continuously expands the connotation and fields of "corporate social responsibility", including shareholder value, customer rights and interests, supply chain value, charity and public welfare, protection of people's livelihood, tax contribution, energy conservation and emission reduction, etc., and strives to create greater economic, social and environmental benefits so as to realize sustainable social development. The social responsibility issues that we are concerned about are as follows:

<p><u>Responsibility for shareholders</u></p> <p>Actively protect investors' legitimate rights and interests, so as to ensure the safety of enterprise funds, obtain good returns, and strive to provide shareholders with high returns.</p>	<p><u>Responsibility for government</u></p> <p>Consciously operate and pay taxes in accordance with the provisions of relevant laws and regulations</p>
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<p align="center"><u>Responsibility for consumers</u></p> <p align="center">Continue to make the shopping environment more comfortable and cleaner, create "Yonghui at the door, Fresh Yonghui and Safe Yonghui", and provide consumers with goods and services with good quality, low price, safety, comfort and durability.</p>	<p align="center"><u>Responsibility for employees</u></p> <p align="center">Abide by labor laws and policies, adhere to the "home" culture, establish a partnership system, protect the legitimate rights and interests of employees, carry out occupational health management, staff training and development, and democratic management</p>
<p align="center"><u>Responsibility for communities</u></p> <p align="center">Based on communities, serve communities, localize the operation, provide employment opportunities for communities, and provide charitable donations for the public welfare initiatives of communities</p>	<p align="center"><u>Responsibility for environment and sustainable development</u></p> <p align="center">Advocate "Green Yonghui" and actively cope with climate change, support green office, sales of environmentally friendly products, use of environmentally friendly bags, energy-saving buildings and environmentally friendly storefronts, energy conservation in storage, logistics and transportation, and green packaging</p>

2.2 Communication with Stakeholders

Expectations of Stakeholders to Yonghui and Yonghui's Response Measures

Yonghui Superstores actively maintains close contact with governments, shareholders, suppliers, consumers, employees and other stakeholders, and listens to the demands, opinions and suggestions of various stakeholders.

Stakeholders	Core expectations	Response mechanism
Government departments	<ul style="list-style-type: none"> ✓ Operate according to law ✓ Pay taxes and fees ✓ Targeted poverty alleviation ✓ Promote the prosperity of commerce and trade ✓ Social employment 	<ul style="list-style-type: none"> ✓ Apply for administrative licensing of industrial and commercial, health and fire and carry out business activities in accordance with the law ✓ Declare and pay taxes according to law ✓ Actively promote poverty alleviation by developing industries ✓ Implement urban and rural commercial network construction

	<ul style="list-style-type: none"> ✓ Supply support ✓ Food safety 	<p>projects</p> <ul style="list-style-type: none"> ✓ Carry out recruitment activities to provide jobs for graduates ✓ Implement the system of showing certificates and invoices ✓ Emergency support of market supply ✓ Strengthen food quality and safety inspection
Industry associations	<ul style="list-style-type: none"> ✓ Promote the healthy development of the industry ✓ Set up industry standards ✓ New economy, new norm and new retail 	<ul style="list-style-type: none"> ✓ Participate in industry meetings and forums ✓ Cooperate with peer to conduct surveys and researches ✓ Provide experience sharing materials ✓ Joint procurement and resource sharing ✓ Management output and coordinated development
Shareholders	<ul style="list-style-type: none"> ✓ Expectation on investment return ✓ Exercise shareholders' rights ✓ Protecting small and medium-sized investors 	<ul style="list-style-type: none"> ✓ General meeting of shareholders ✓ Board of Directors: independent director ✓ Board of Supervisors ✓ Information disclosure ✓ Receive investors for visits and researches ✓ Implement dividend plans
Consumers	<ul style="list-style-type: none"> ✓ Consumption classification ✓ Provide good quality and affordable goods ✓ Optimize service ✓ Disposal of defective commodities 	<ul style="list-style-type: none"> ✓ Set up new business formats ✓ On-line and off-line integration ✓ Improve the service ability of "Arriving at Store" and "Arriving at Home" ✓ Regularly deliver special offers ✓ Each store sets up a customer service

	<ul style="list-style-type: none"> ✓ Safe shopping 	<p>center</p> <ul style="list-style-type: none"> ✓ Redeem credit points ✓ Return and exchange service ✓ Recall plan for defective commodities ✓ Firefighting facilities, passages and evacuation plan ✓ Buy public liability insurance
Suppliers	<ul style="list-style-type: none"> ✓ Fair trades between retailers and suppliers ✓ Quick sales of goods ✓ Payment settlement ✓ Unified distribution ✓ Market information sharing 	<ul style="list-style-type: none"> ✓ Meet principal responsible persons ✓ Sign purchase and sales contracts ✓ Sales platforms ✓ Settlement period of ultra-short funds ✓ Logistics distribution centers ✓ Information management system
Farmers, agricultural production enterprises	<ul style="list-style-type: none"> ✓ Solve the "sales problems" of agricultural products ✓ Payment settlement ✓ Agricultural technology support ✓ Financial support ✓ Migrant workers in cities 	<ul style="list-style-type: none"> ✓ Carry out the connection of agricultural markets and supermarkets ✓ Cash purchase ✓ Organize experts to go to the countryside ✓ Advance funds ✓ Exempt them from all kinds of channels fees ✓ Create jobs for farmers
Employees	<ul style="list-style-type: none"> ✓ Improve employees' compensation and benefits ✓ Career development opportunities ✓ Vocational skills training ✓ Help employees in difficulties 	<ul style="list-style-type: none"> ✓ Fully implement the "partnership system" ✓ Improve salary system and growth plan ✓ Formulate "management-oriented" and "technology-oriented" promotion paths ✓ Carry out school-enterprise cooperation ✓ Mutual fund for employees with

		<p>serious illness</p> <p>✓ Subsidy for needy workers</p>
News and media	<p>✓ Public opinions-based supervision</p> <p>✓ Updates of company development</p> <p>✓ Consumption hot spots of public concern</p>	<p>✓ Interview with reporters</p> <p>✓ Organize press conferences</p> <p>✓ Deliver information on major promotional events</p> <p>✓ Actively collect information about public opinions</p>
Poor families and teenagers	<p>✓ Seek basic living security</p> <p>✓ Attend school</p> <p>✓ Disaster relief</p>	<p>✓ Charity supermarkets</p> <p>✓ Carry out the action of assisting students and supporting education</p> <p>✓ Participate in disaster relief operations</p>

Chapter III Products and Services

3.1 Ensuring Food Safety

Strategic Objectives of Food Safety

Yonghui Superstores takes “meeting the needs of customers and provide safe, reliable and cost-effective food” as its mission and strategic goal of food safety. It has established a food safety management system with quality system, food safety cloud network, commodity examination, risk monitoring and operation standards as the core parts, covering the whole chain of its food management.

Construction of Food Safety Management System

According to the requirements of national food safety laws and regulations, Yonghui Superstores is fully responsible for the food safety work. Its internal control committee is responsible for the work such as organization and leadership, overall planning, comprehensive coordination, and macro management of the Company's food safety issue. The general manager in each province, the person chiefly in charge of food safety within the province, signs *Responsibility Letter for Food Safety* and is responsible for organizing the implementation of the food safety responsibilities of the province, including strengthening the management of suppliers, purchase inspection, production and operation process control, food safety self-examination, etc.

Yonghui Superstores has passed the ISO 9001 Quality Management System Certification and ISO 22000 Food Safety Management System Certification.

In 2019, Yonghui Superstores optimized its food safety management system by revising its *Food Safety Management System (V2.0)* according to the *Regulation on the Implementation of the Food Safety Law of the People's Republic of China*. The revision further improved the Company's food safety management system and ensured that its food safety management met the requirements of relevant laws and regulations of China. According to the food safety laws and regulations of China and its food safety management system, and based on its actual situation, Yonghui Superstores compiled the *Food Safety Work Guidance Manual*, which defines the main responsibilities and corresponding work duties of food safety in all steps and departments, and elaborates in detail from the introduction of commodities to store management to guide the Company to prevent food safety risks. In 2019, we formulated 16 standard documents, including the *Management Standards for Source Inspection*, the *Standards and Operational Guidelines for Rapid Inspection of Food Safety in Stores*, the *Management Standards for Labels of Edible Agricultural Products* and the *Basic Work for Food Safety and Risk Prevention and Control in Mini Stores*, to further standardize our whole-process food safety management. We continue refining and deepening the construction of the food safety and quality system, further enhance our ability to accurately prevent in advance, effectively control in the process and properly dispose after any incident happens, and thus ensure the effective operation of the quality system based on the basic principles of

"prevention first, risk management, whole-process control and co-governance by all staff members".

Food Safety Management in Supply Chain

Yonghui Superstores strictly implements the system of requesting to show invoices and certificates. In accordance with the *Special Provisions of the State Council on Strengthening the Supervision and Administration of the Safety of Food and Other Products*, we further improve the original management software of the purchase, sale and storage system and develop a standardized and efficient electronic ledger to realize the function of inquiring about the licenses of suppliers or manufacturers and the inspection report of each batch of food, so as to facilitate the retrieval of prepackaged foods and remove the identified problematic food from the shelves in a timely manner. In addition, we carry out compliance reviews before the introduction of suppliers to examine the compliance of suppliers' business qualifications, commodity certificates and labelling, conduct traceability inspection of suppliers to examine the operation of suppliers' quality and safety management system and assess cooperation risks, and instruct high-risk suppliers to improve their inspection and traceability system. In 2019, we conducted compliance reviews on operating qualifications and commodities of 56,079 suppliers.

To ensure the quality and safety of the food supplied, all our cooperative suppliers have signed a *Letter of Product Quality Commitment*, which clarifies their responsibilities, obligations and corresponding liabilities for breach of contract in food safety, commodity quality, qualification certificates, services and other aspects. If it's found that any products not meet the national food safety standards are sold, we will, together with suppliers, actively rectify, solve problems and jointly improve product quality and safety.

Classification Management of Suppliers' Food Safety Risks

In order to implement the entity responsibility of food business, strengthen the management of food suppliers, improve the efficiency of food safety management and reduce the Company's business risks related to food safety, we have formulated the *Measures for Classification Management of Suppliers' Food Safety Risks* in accordance with the *Food Safety Law* and the *Regulations on the Implementation of Food Safety Law*, as well as the Company's *Food Safety Management System*.

We divide the suppliers' food safety risks into four levels from low to high: A, B, C and D, and we regularly adjust the suppliers' food safety risk levels according to the suppliers' annual food safety management records, and reasonably determine the suppliers' management frequency, management content, management methods and other management measures according to the suppliers' food safety risk levels, so as to realize the scientific allocation and effective utilization of resources for food safety management. For suppliers whose dynamic risks are at a higher level for a long time and have an impact on the Company's food safety, we will communicate with such suppliers, investigate and affix their liability, or terminate the cooperation with them to strictly control food safety risks of the suppliers.

Food Safety Management of Our Own Central Kitchens ("Fresh Food" Central Factories)

Yonghui Superstores, in accordance with the principle of "modernization, standardization and intensification", has replaced the "front shop and back factory" with a central factory, changed the traditional processing and circulation mode of agricultural products and ingredients, established a vertical supply chain from the food source to dining tables, and introduced modern and advanced facilities for food sorting, fresh food processing, packaging and cold chain materials to ensure product quality.

Fresh Food is Yonghui Superstores' food centralized management center and innovative supply chain integration platform. So far central factories have been set up in Fujian, Chongqing, Beijing, Anhui, Jiangsu and Sichuan. The production lines of "Fresh



Food", fully conform to GMP (Good Manufacturing Practice) operation specifications, can improve processing efficiency, reduce production costs and effectively ensure food safety. All of the six Fresh Food Central Factories have passed ISO9001 certification. Five Fresh Food Central Factories have passed ISO22000 certification, accounting for 83.3%, and four have passed HACCP certification.

As a high-quality fresh food distribution platform, Yonghui Fresh Food has professional buyers who seek for production bases and cooperate with agricultural enterprises to build planting bases to realize seamless connection between product development and market demand and ensure high-quality operation.



Food Safety Training for Suppliers

According to China’s regulatory requirements and risk monitoring information, and according to the different types of suppliers and the levels of food risks, the Company actively carries out training on standard procedures for the acceptance examination of commodities and laws and regulations.

In 2019, we provided suppliers with training on food safety, food safety certificates and qualifications of suppliers, online system for requesting certificates and invoices. The number of training sessions reached about 300, with a total number of more than 10,000 participants and 600 training hours.

Processed Food Safety Meeting for Suppliers

Objective: To strengthen the food safety awareness of processed food suppliers
 Content: Safety awareness of processed food, on-site production and selling operation specifications, etc.
 Number of trainees: 1,000



Training on Food Safety Qualifications and Compliance for Suppliers

Objective: To improve suppliers' understanding of certificates and qualifications, and help them effectively maintain their certificates.
 Content: Introduction of certificates and qualifications, harm of certificate counterfeiting and case sharing
 Number of trainees: 7,500



Food Safety Management in Superstores

In store operations, we have set up a mechanism to link platforms and food safety work in

provinces and regions, including assigning responsible persons for food safety work in various provinces and regions, as well as clarifying the post responsibilities and work requirements of the food safety management teams in provinces and regions. We revised and promoted the persons chiefly in charge of business in provinces and regions, stores and small shops, and in key posts to sign the *2019 Food Safety Responsibility Letter*, which clearly defines the liability for the sale of problematic foods, so as to enhance the awareness of food safety responsibility of managers. In 2019, we achieved the goal of conducting not less than 4 inspections of each store per year and not less than 40 hours of food safety training for employees per year.

- In February 2019, the Food Safety Department conducted training on operating standards and food safety knowledge for more than 700 people from Region 1, Region 2, Region 3, Region 6 and Quality Education Department. The Food Safety Department recorded training videos on operating standard knowledge for all employees to learn independently through the knowledge cloud platform. A total of 280,000 people learned online courses in the year. In July, the Food Safety Department organized and carried out online learning certification of operating standards and food safety knowledge. More than 30,000 people across the country, including quality education, small store managers and partners, and food safety management personnel, passed the certification of operating standards knowledge.
- According to the work needs of the mini teams on the platforms, the Food Safety Department conducted training on professional knowledge of food safety for more than 240 mini teams in Chongqing, Sichuan, Shaanxi and Fujian to guide them to conduct basic food safety work and risk prevention in daily operation.

Food Safety Warning in Superstores and Stores

We issued work notices in advance at other important nodes of food safety risks according to the operation of various businesses to prevent food safety risks. For example, food-borne diseases occur frequently in summer. For the food currently made and sold in stores, we issued the *Notice on the Safety of Processed Food*, which includes the food safety operation requirements for the purchase, personnel, production and processing process, sales process, inventory and other links. Before the moon cakes for the "Mid-Autumn Festival" were put on the market, we issued the *Notice on Doing a Good Job in Moon Cake Sales and Other Food Safety Management Work* for the food safety in the moon cake sales, reminding stores of certificate management and food safety management in the sales to firmly hold the bottom line of food safety risk control.

The *Notice on Special Inspection of Food Safety during the "315" Period* was issued to eliminate food safety risks and hidden dangers

March 15 is Consumer Rights Protection Day. Praised as "a superstore loved by people", Yonghui Superstores has been committed to safeguarding food safety for people. During

the "315" period of 2019, we set up a 315 working group to cooperate with local regulatory agencies to carry out positive publicity on topics such as food safety and consumer rights protection, and carried out food safety training for suppliers, employees and promoters. In addition, we required all war zones to carry out special spot checks and self-examinations on food safety in accordance with the *Notice on Special Inspection of Food Safety during the "315" Period*, so as to improve services, establish a response mechanism, actively fulfill the entity responsibilities, implement the Company's management standards on food safety, product quality, price management, measurement requirements and services. We implemented the key work during the 315 period according to the principle of "the person in charge should be responsible".

Food Safety Assessment in Superstores

In order to implement the food safety management in Superstores and stores, we regularly organize food safety spot checks and assessments. In 2019, we organized spot checks and evaluations of 360 stores in 24 provinces and regions in 10 war zones, and more than 1,157 evaluations of stores in provinces and regions in 2019. In addition, monthly inspections and evaluations of stores were carried out in all regions. The evaluation mainly covered food safety, commodity quality, shelf life management, personnel services, request for certificates and invoices, food safety records, food labels, cleaning and hygiene, pest control, etc. For stores whose inspection results were lower than the target, the Company assigned responsible persons according to its assessment methods, and the corresponding provincial and regional teams provided assistance in rectification, and the stores must submit rectification reports within the specified time limit. In 2019, 100% of our supermarkets and stores accepted food safety inspections.

In addition, we also regularly carry out food safety special inspections to reduce food safety risks in superstores.

- In 2019, in order to reduce the risk of shelf life of food in stores, we carried out a special shelf life investigation on 829 stores across the country.
- In April 2019, in order to reduce the risk of food freshly prepared and sold in stores, we organized safety risk investigations of food freshly prepared and sold in our stores across the country.
- In July 2019, in order to strengthen the temperature control of refrigerated and frozen food, we launched a special work for improving storage of refrigerated and frozen food.
- In August 2019, in order to ensure the compliance of the labels of edible agricultural products, we carried out a special investigation on the labels of edible agricultural products.

Food Safety Training in Superstores

In 2019, the Company publicized food safety by organizing online lectures, on-site learning and other means, implemented pre-job training for new recruits and carried out quarterly

special food safety training, which has covered all store employees in the country throughout the year.

Online Food Safety Training in February 2019

Objective: To improve the food safety management in stores, and strengthen the prevention and control of food safety risks in stores.

Main content: Stores' commodity quality management, shelf life management, food return and loss report management, food production and processing process management, etc.

Participants: Store managers, small store managers, partners, employees, etc.

Number of participants: 280,000 people completed online learning



Food Safety Training Certification in June 2019

Objective: To further strengthen the food safety risk prevention and control of stores

Main content: Stores' commodity quality management, shelf life management, food return and loss report management, food production and processing process management, etc.

Participants: Store managers, small store managers, etc.

Number of participants: 24,108 people were certified



Capacity Building of Food Safety Inspection

In 2019, Yonghui Superstores set up 71 new inspection stations at the production areas, docks, and the places of logistics companies and suppliers. By the end of 2019, 187 inspection stations had been set up nationwide (an increase of 115% over 2018). The actual operation stations covered 23 provinces and cities in the country, providing more comprehensive and timely self-inspection and screening to ensure the quality of goods produced and distributed in regions, and acting as powerful tools for food safety control. While improving the coverage rate of testing stations, we upgraded the existing stations of the Food Safety Cloud Network in order to control the testing in laboratories in real time, with 23 testing laboratories connected to remote visual monitoring equipment.

In 2019, we invested a total of 32.147 million yuan in facilities and equipment of testing rooms, reagents, drugs and testing personnel. In addition to the existing cholinesterase testing for indexes such as organophosphorus, organochloromyces, carbamate, we added 23 new testing indexes. While upgrading and optimizing the testing laboratories, we used the Food

Safety Cloud Network to continuously improve the coverage rate of testing varieties and sampling inspection of high-risk items. Fujian Nantong Logistics Testing Laboratory has passed the certification of the government supervising authority (Fuzhou Administration of Market Supervision).

Testing by the Food Safety Cloud Network	
<p>Tested types (Unit: type)</p>	<p>695 3,020</p> <p>2018 2019</p> <p>Increased 334.5% over 2018</p>
<p>Tested batches (Unit: 10,000 batches)</p>	<p>105</p> <p>2019</p> <p>Increased 250% over 2018</p>
<p>Standards of the tested items and acceptability rate</p>	<p>At present, colloidal gold method is used to detect 23 pesticide residues, veterinary drugs and prohibited drugs. The detection standards are stricter and the detection accuracy is higher. The acceptability rate of detection in 2019 reached 97.56%</p>

In 2019, in addition to the cholinesterase detection method for detecting indicators such as organophosphorus, organochloromyces and carbamate, we applied the colloidal gold detection method to detect 23 detection indexes such as chloramphenicol, malachite green, furacilin, furazolidone, tetracycline, fluoroquinolones, sulfonamides, florfenicol, carbofuran, chlorpyrifos, chlorothalonil, acetamiprid, carbendazim, heavy metal lead, heavy metal

cadmium, metronidazole, furantadone, furantoin and fipronil. While upgrading and optimizing the testing laboratory, we continuously improved the coverage rate of testing varieties and sampling inspections of high-risk items through the Food Safety Cloud Network. In 2018, the number of tested varieties by the Food Safety Cloud Network was 695, and in 2019, the number of tested varieties reached 3,020 (increased 334.5% over 2018). In 2019, the total number of tested agricultural products reached 1.05 million batches (increased 250% over 2018).

In 2019, the Food Safety Cloud Network launched the plan of qualification certification and assessment for inspectors from testing stations across the country to test and examine the professional testing knowledge, operation process and experimental rules and regulations of inspectors. We strengthened the training of operators on the operation process of cholinesterase detection method, added the training on the operation process of colloidal gold detection method for detecting chloramphenicol, malachite green, furacilin, furazolidone, carbofuran, chlorpyrifos and other items to ensure that the inspectors have mastered standardized professional detection practical skills. In 2019, a total of 114 people from 89 testing stations were assessed. For the newly built testing stations, only after the testing personnel have passed the qualification certification will their testing authority be granted. We will continuously use stricter implementation standards to ensure the standardization of testing and the accuracy of results.

Moreover, in order to provide more professional food safety and quality inspection, Yonghui Superstores allocates a budget of 5 million yuan per year to regularly employ third-party inspection agencies such as China Certification & Inspection (Group) Co., Ltd. and SGS Group to carry out sampling inspection on the food being sold. As authoritative third-party testing and certification companies at home and abroad, the two companies use high-precision instruments such as gas chromatography, liquid chromatography and atomic absorption spectrometer to carry out comprehensive food safety and quality testing on food and edible agricultural products. Yonghui Superstores will withdraw the unacceptable commodities from the shelves immediately after they are identified, and will trace back the source of the commodities and affix the responsibility. We will never allow any commodities of unacceptable quality to enter the market.

Product Recall

System Construction

Yonghui Superstores has established the *Consumption Dispute Mediation System of the 12315 Rights Protection Service Centers*, the *Recall and Withdrawal System for Defective Commodities* and the *Unsafe Food Recall Workflow*, which unify the definition and types of commodities need to be recalled, define the main responsibilities of various functional departments, and specify the recall grades, recall process, follow-up treatment and relevant record requirements of commodities with problems.

Working Mechanism

Stores are responsible for recalling, un-shelving and sealing the defective commodities. The

customer service center is responsible for handling consumer requests of rights protection, the Purchasing Department is responsible for tracing upstream responsibilities, the Information Technology Department is responsible for storing sales and inventory data and other data, and the Logistics Center is responsible for the centralized storage of inventory commodities. In 2019, stores in 24 provinces and regions across the country carried out recall drills, implemented recall procedures for unacceptable commodities found in sampling inspections, sealed and isolated the recalled defective commodities, analyzed the causes of the problems, formulated improvement measures, and investigated and affixed relevant responsibilities.

Construction of Product Traceability System

Rely on Information Technology to Optimize the Food Safety Digital System

 永辉超市食品安全云网



Since Yonghui Superstores responded to the government's call in November 2016 to set up the "Food Safety Cloud Network", we have insisted on "covering the whole process of food safety monitoring in the supply chain and creating a traceable digital food safety system". Relying on information technology, we have built a system fully covering the sources, logistics

transit and store sales on the supply chain, making the food safety in the supply chain transparent.

In 2019, Food Safety Cloud Network achieved full coverage of the self-purchased commodities in bases, markets and docks. Consumers enjoy the right to know about food safety in the whole process. They can check the daily inspection information of agricultural products through the Food Safety Cloud screens in the fresh food areas, and scan the QR codes with their mobile phones to trace the inquiry information. In 2019, the Food Safety Cloud Network further traced products of Yonghui Superstores' own brands. 40.5% of the SKUs of its own brands can be traced back, providing strong traceability system support for the construction of the Company's own brands.

In 2019, the Food Safety Cloud Network continued to push forward the construction of the source traceability system. It extended the first firewall of food safety "in the fields" and combined with pre-detection and source traceability to strengthen the control of food safety at the sources of planting and breeding, and strengthen the publicity to planting and breeding farmers and food safety management in planting and breeding links. Second-time sampling inspections were carried out at the testing center built at the logistics transit center, and leading domestic and foreign professional food safety testing companies were engaged to carry out sampling inspections on Yonghui stores. Adhering to the principle of "checking at

every level, linking up with each other and closed-loop management in the whole process", we will continue promoting the construction of the "one code for one product" food safety traceability management system to make consumers rest assured.

Actively Coordinated in the Construction of Government Food Traceability Platform and Provided Cooperative Services for the Society

In recent years, Yonghui Superstores has responded positively to the call of the country and cooperated with governments and departments at various levels in the construction and investment of the "one code for one product" traceability system for food safety. In 2019, Yonghui Superstores successively coordinated with many government departments and participated in the construction of food traceability platforms to protect consumers' right to know and supervise the food safety, so as to better serve the public and society:

- In March, Yonghui Superstores cooperated with Harbin Municipal Bureau of Commerce to carry out the construction of meat and vegetable quality and safety traceability system. Through the Food Safety Cloud Network, the meat and vegetable traceability data were uploaded to the meat and vegetable traceability platform of the city in real time and synchronously, and the meat and vegetable traceability QR codes were printed by the electronic scales in sales terminal stores.
- In May, in response to the requirements for the construction of the important product traceability platform of Chongqing Municipal Commerce Commission, the Company upgraded the original traceability system. Every day, Chongqing Yonghui Superstores collected the purchase and distribution data of meat and vegetables and reported them to the important product traceability platform of Chongqing Municipal Commerce Commission. Information of more than 600 kinds of products on average was displayed every day on the display screens in stores.
- In June, Yonghui Superstores, as the first enterprise representative of retail in physical stores, was invited to participate in the pilot construction of the infant formula milk powder traceability platform of the State Administration for Market Regulation. So far, 63 infant formula products have been included on the traceability platform.
- In July, Yonghui Superstores reported the batch information of prepackaged commodities and edible agricultural products to the government platforms of Fujian's food and drug administrations, thus realizing the supervision of the whole chain of circulating commodities by government departments.

3.2 Protection of Consumers' Rights and Interests

Concept

"Customers are buyers of our products and services, neighbors of our stores in communities, friends of our superstores, partners for our development, and supporters for our growth."

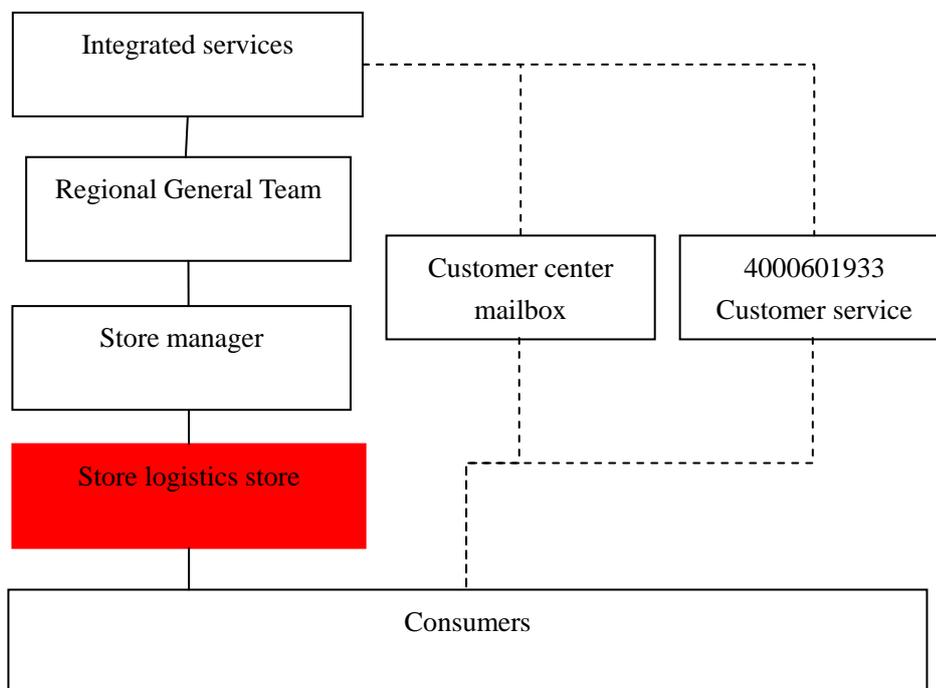
Yonghui Superstores has always advocated employees to serve customers with the principle of "positivity, smile and gratitude":

Sunshine - to provide customers with high-quality service, care and help customers with positive mentality;

Smile – Smile at customers, convey enthusiasm, show corporate image and get closer to customers;

Gratitude - Sincerely thank customers for coming and supporting Yonghui.

Consumer Relationship Management System



Improving Consumer Experience

Since its establishment in 2001, Yonghui Superstores has always focusing on its core business, leading and guiding consumption, firmly grasping the upgrading and transformation of consumption, and continuously upgrading and innovating supermarket business forms.

Yunchao's Main Business Forms

<p>Red Logo stores</p> <p>With the red LOGO of Yonghui Superstores as the store sign, the business is positioned to serve the people's livelihood, mainly dealing in popular commodities such as fresh agricultural products, food, daily necessities, clothing, shoes and hats, small household appliances, etc. According to the business area, such stores are divided into hypermarkets, stores and community supermarkets.</p>	<p>Green Logo stores</p> <p>With the green LOGO "BRAVO YH" as the store sign, the elaborately built high-end brand superstores, based on advanced business concepts, have continuously made breakthroughs, striving to fully meet the needs of various consumer groups in the changing market dynamics. Targeting at consumers who value the quality of life and pursue high end consumption, the stores have introduced a large number of high-end imported goods and fashion brand products, and have also made an overall improvement in the shopping environment, creating a clean, warm and fashionable shopping environment, so that shoppers can shop happily in a beautiful environment.</p>	<p>mini stores</p> <p>Innovating the business form of small fresh food shops in communities, adhering to the business concepts of "Yonghui near households" and "Fresh Yonghui", the mini stores are based on communities and close to the people's livelihood. With a business area of 300-500 square meters, the stores mainly deal with selected fresh agricultural products, food and daily necessities to meet the convenient shopping needs of customers.</p>
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Convenient Services

Yonghui Superstores has always taken communities as its primary foothold, opening superstores near the vast number of urban and rural people, providing door-to-door convenient services for modern urban office workers and housewives, satisfying the fast pace of life and the pursuit of high-quality life to the greatest extent, and also enabling the people living in villages and towns to enjoy the urbanized material life and shopping experience. With the settling down of Yonghui Superstores, thousands of households can buy a rich variety of high-quality and affordable commodities near their homes, improving the commercial supporting services in communities.

Yonghui Superstores insists on taking ordinary families as the main consumer group, carries out product and service design for low-income people, adopts the pricing strategy of small profits but quick turnover, wins the recognition of the people with affordable prices, strengthens commodity category management, optimizes commodity structure, and introduces low-price and good-quality commodities suitable for low-income families.

- In November 2019, Yonghui Superstores held the "Yonghui Customer Appreciation Festival" in Fujian, and launched more than 100 products benefiting people's livelihood (such as Chinese cabbage 1.99 yuan/500g, Dingyou rice 2.19 yuan/500g and Tianqu rapeseed oil 69.9 yuan/5L/barrel), which was well received by customers.
- During 2019, under the trend of continuous rise in domestic pork price, Yonghui Superstores sold affordable pork with a low profit and cooperated with the

government to distribute frozen pork to ensure the living needs of ordinary consumers in urban and rural areas.

Member Services

At the same time, Yonghui Superstores has further improved the shopping experience of consumers by introducing loyalty cards and Yonghui shopping cards. According to incomplete statistics, it has more than 20 million member customers (holding loyalty cards).

Member points card

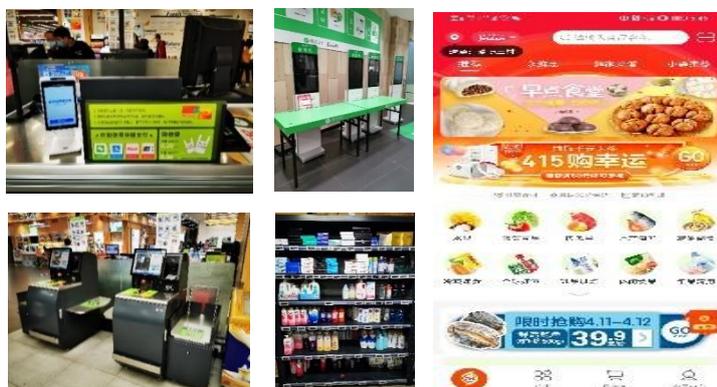
- Consumers can apply for and use loyalty cards at any store in the country, and check the consumption points on Yonghui's official website or WeChat public account.

Yonghui shopping card

- After being filed by the competent commercial department, Yonghui Superstores issues a "shopping card" to consumers, which can be used in stores nationwide

Intelligent Services

In order to improve consumer experience, Yonghui Superstores provides diversified intelligent shopping methods, such as self-service payment, face recognition, code scanning purchase, electronic price tag, online shopping, etc., and continuously optimizes and improves corresponding services, committed to continuously providing diversified choices and experiences for customers.



Distribution Services

In order to better serve consumers and improve the efficiency of logistics distribution, Yonghui Superstores has built or is planning to establish its own logistics distribution centers in Fujian, Chongqing, Anhui, Chengdu and Liaoning. In the future, it will steadily push forward the construction of logistics projects and further improve the logistics distribution system, thus providing strong support for expanding the national market and reducing circulation costs.

Special Needs Group Services

Yonghui Superstores pays attention to the experience of every consumer and carries out relevant measures to facilitate shopping for people with special needs (disabled people, the elderly, pregnant women, etc.):

Standardized Renovation of Accessibility Facilities

Yonghui Superstores has actively implemented the "Standardized Renovation of Accessibility Facilities" and set up ramps and barrier-free facilities at entrances and exits of business premises, passages, elevators, toilets, parking lots and other locations to facilitate the use of consumer groups with special needs.

Elevator Operation Management



Yonghui Superstores arranges special personnel at the upper and lower ends of escalator to remind customers to pay attention to safety and provide necessary help to special needs groups (the elderly, the weak, the sick, the disabled and the pregnant).

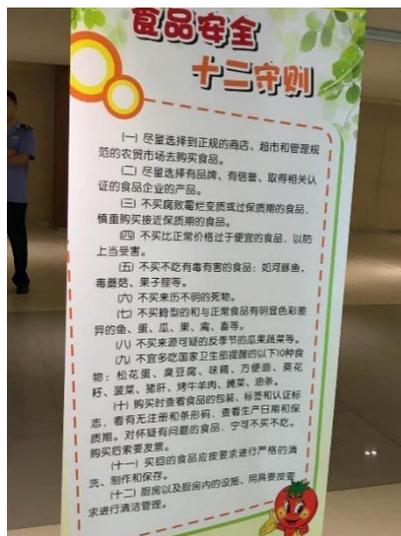
Free Shopping Bus



Yonghui Superstores, based on the traffic conditions in the business circle, has opened free shopping buses for corresponding stores to provide convenience for consumers.

Raising Consumers' Awareness of Food Safety

In order to raise consumers' awareness of food safety, in 2019, Yonghui Superstores in various provinces and autonomous regions participated in food safety activities organized by local government departments, popularized food safety knowledge, introduced the company's food safety work, and publicized the protection of consumers' rights and interests.



Customer Satisfaction

The latest data released by Kantar Worldpanel in February 2020 shows that the sales of fast-moving consumer goods in Chinese cities increased by 5.3% in 2019, up 0.2 percentage points year on year. Yonghui Superstores' market share reached 4.4% in 2019, up 0.5% from 2018.

In 2019, Yonghui Superstores was selected as "the Listed Company Brand Most Trusted by Consumers in China" in the series of activities of "The Power of Honesty and Credit - The Honesty and Credit Summit Forum of Listed Companies in China" sponsored by www.ipo123.cn.

In order to understand customers' demands in time, improve consumer services, and build a supermarket brand that really pays attention to people's health, in June 2019, Yonghui cooperated with a third party to carry out public opinion monitoring on Yonghui Superstores. The monitoring project monitors media information such as TV, newspapers, Internet, forums, microblogs and so on in real time every day, so that the company can timely understand the work direction that needs to be improved, timely transmit and communicate information, pay close attention to the development of the matters, and formulate crisis early warning plans. During the reporting period, through the public opinion monitoring work, we have made improvements in the quality of goods, service attitude, price tag, expiration and other aspects in stores of various provinces and regions, so as to enhance consumer experience.

Consumer Communication

Yonghui Superstores actively builds diversified consumer communication channels, listens to customer feedback, and continuously improves the quality of products and services.

- Customer service center: The company has set up platform customer service, and all stores have customer service centers to accept customers' opinions and suggestions on goods and services in the first place.
- WeChat public account (yonghui1933): Yonghui Superstores has set up an enterprise public account at WeChat to provide consumers with convenient services such as member registration, points inquiry and electronic invoices at mobile phone terminals.
- Official website customer service center: A "Customer Service" column has been set up on Yonghui Superstores' official website www.yonghui.com.cn to accept customer inquiries, opinions and complaints online.
- Commodity after-sales service: Stores, purchasing departments and manufacturers jointly intervene to properly solve problems for customers.

Based on the timely and effective communication mechanism, we actively respond to customer complaints and other accidents, and strive to transform customer demands into our improvement direction. The Company's Yunchao platform and Regional General Team are responsible for guiding the stores' customer services, setting up a special reporting system for important customer complaints which requires important cases to be reported separately and immediately, and customer complaints to be handled timely. The customer complaints

concerning services should be handled by the stores, relevant regional management departments and regional general managers according to the situation (as per work order circulation).

In addition, the store customer service center will also directly receive customer feedback on site, and the store will also provide suggestion books to facilitate customers to leave messages to reflect problems, and timely check the books and follow up solutions. After receiving the customer's opinions and suggestions, the store customer service center will report to the relevant management departments, purchasing departments, suppliers and manufacturers and service stores to investigate and properly handle the matters. The platform customer service personnel receive the phone calls in a timely manner to ensure the timeliness of response, efficiently handle customer complaints, report to relevant stores and departments according to customer complaints, and avoid similar situations through store case publicity and prevention. We also handle customer complaints with the local government 12315 and consumer associations. Our complaint handling results are summarized weekly, monthly and annually, and reported to Yunchao Comprehensive Service, General Manager and Coach Team of each region on time.

The handling rate of our main complaint sources (including 4000601933 free customer service hotline, messages left on Yonghui official website, email and complaints forwarded by government departments, consumer associations, media and other departments) is 95%, among which the unresolved reasons are mainly: claims for high compensation by professional fighters against counterfeit with various excuses, unclear complaint objects, malicious delivery of information, and commercial advertisements.

Establishing Consumer Dispute Settlement Mechanism

Rights Protection in Stores

We have set up 12315 consumer rights protection points in our stores, actively accepting the supervision and guidance of the government and the people, and effectively protecting the legitimate rights and interests of consumers. As an extension of the "12315" consumer rights protection service network of the industrial and commercial departments, we posted the telephone numbers of the service station staff and the names and telephone numbers of the law enforcement personnel of the industrial and commercial bureau in the jurisdiction to facilitate citizens' rights protection. If there are problems that cannot be solved, consumers can directly call the law enforcement personnel in the jurisdiction, thus further unblocking and facilitating the channels for reporting complaints.

Fulfilling the Publicity of Safeguarding Rights

In March 2019, Chongqing Consumer Rights Protection Committee and Chongqing Market Supervision and Administration Bureau jointly organized the "2019 Chongqing March 15 World Consumer Rights Day Commemoration and Promotion Meeting on Assured Consumption" with the theme of "Integrity Makes Consumption More Assured". Yonghui Superstores was invited to participate in relevant activities of the promotion meeting and signed the "Honest Management Commitment Initiative".

In March 2019, Tianjin Free Trade Zone Market Supervision Bureau went to Yonghui Superstores Consumer Rights Protection Station within its jurisdiction to hold a public welfare publicity campaign of consumer rights protection with the theme of "Integrity Makes Consumption More Assured" to actively guide consumers to consume reasonably and safeguard their rights according to law.

In March 2019, Minhou County Credit Office launched the activity of "Yonghui City Life Square to Create an Honest Management Demonstration Block". All merchants in the block posted the "Honest Management Convention" and promised to jointly abide by the Convention in accordance with the "Honest Management Commitment" publicized in their stores.

Chapter IV Green and Safe Operation

Yonghui Superstores has gradually increased its attention to environmental protection. It has put forward the new concept of "Scientific Yonghui and Green Yonghui", adhered to the goal of "saving energy, protecting the environment and improving efficiency", strengthened its energy management, and endeavored to reduce the consumption of water, electricity, energy and other resources in retail operations to promote the sustainable development of retail industry.

4.1 Contributing to Green Industry Chain

Yonghui Superstores suggested suppliers to pass GAP (Good Agriculture Practice), ISO 14001 Environmental Management System, OHSAS 18000 and other certifications during the supplier entry audit process, requiring suppliers to strengthen the control of environmental pollution such as soil and water sources and assume social responsibilities. At the same time, we are also actively carrying out green environmental protection theme projects with our partners and are committed to promoting the vigorous development of the green industrial chain.

Yonghui's "Tianqu Food" and Yuan Mi's Joint Sea Rice Products



Since November 2018, the "Smart Agriculture and Rural Revitalization - Summit Forum on Saline-Alkali Land Rice Improvement and Launch Conference on Agricultural Fertile Soil Cloud" has been held ceremoniously in Qingdao. Yonghui Superstores and Yuan

Mi Agricultural Science and Technology Co., Ltd. have released the joint sea rice products of Yonghui "Tianqu Food" and Yuan Mi. The base belongs to an original ecological saline-alkali land with pure soil. Yonghui Superstores and Yuan Mi cooperate from all aspects of land, seeds, planting, purchasing and storage, processing and distribution to customize and develop 10,000 mu of sea rice. Planting sea rice in coastal saline-alkali land can promote siltation and land formation and slow down seawater erosion on coastal land. It plays an important role in regulating the marine climate and protecting the coastal ecological environment. And the developed root system can effectively retain land sediment, reduce sediment concentration in coastal waters, and increase soil organic matters, thus forming a special ecological environment for birds, fish, shrimps and crops.

Tianqu Northeast Rice Base

Yonghui Superstores, in cooperation with COFCO Group and Beidahuang Group, has built more than 20,000 mu of high-quality rice fields in the Northeast "Golden Rice Belt" - Tianqu Northeast Rice Base. The planting bases selected by Yonghui are all production bases certified by national authoritative organizations. Production and processing are carried out according to the standard higher than the national first-class rice standard. The whole process of rice growth is monitored by video through scientific and technological means to ensure the safe and standardized production of crops, provide customers with safe, traceable, healthy and nutritious high-quality Northeast rice, and actively protect the natural environment such as soil and water resources in the planting bases.

"P&G-Yonghui Ecological Pioneer and Healthy Life" Project

Procter & Gamble China joined hands with Yonghui Superstores to launch the "P&G-Yonghui Ecological Pioneer and Healthy Life" project. The environmental protection activity of "Buy One Product and Donate 1 Yuan to Protect 1 Square Meter" is held. For every designated P&G product purchased by consumers in any Yonghui store nationwide, P&G and Yonghui will donate one yuan to support the improvement of the ecological environment of one square meter of forest land in Southwest China Nature Reserve, which is expected to improve more than 500,000 square meters of ecological forest land.

4.2 Green Operation

Yonghui Superstores has passed the ISO14001 certification of environmental management system, actively practicing energy conservation, consumption reduction and green emission reduction in the operation and office links, and helping to build a beautiful ecological environment.

According to the relevant provisions of the environmental protection acceptance approval procedures for the completion of construction projects, after the completion of the new store construction, Yonghui store projects (noise, solid waste) will be subject to environmental protection acceptance by local environmental protection departments. In accordance with relevant national and local laws and regulations on environmental protection, Yonghui Superstores actively organizes and handles environmental impact assessment, and obtains relevant permissions: Yonghui Superstores develops large and medium-sized supermarkets, convenience stores, specialty stores, e-commerce, modern logistics and other projects in the form of chain operation, all of which meet the permitted items in the *Guidance Catalogue for Industrial Structure Adjustment*, would not affect the air quality of the surrounding environment, and the wastewater discharge reaches standards.

Energy Saving and Emission Reduction

We actively promote the adoption of energy-saving products and carry out energy-saving renovation projects, so as to reduce energy consumption and reduce the impact of operations on the environment.

- Energy-saving renovation of the store sign: In the past, the store sign used internal lighting light boxes. The light box cloth had very low transmittance and dozens of lighting tubes were installed inside, which not only consumed a lot of electricity, but also had poor appearance effect. Yonghui Superstores upgrades the store signs in combination with the promotion of brand image. All stores have changed to adopt new green energy-saving LED lamps.
- Lighting system: The lighting system of Yonghui Superstores' office and business premises adopts T8 energy-saving lamps recommended in the Catalogue of Energy-saving Products, eliminating ordinary fluorescent lamps with high energy consumption, poor lighting efficiency and short service life.
- Air conditioning system: Yonghui Superstores' office air conditioning promotes the use of high-efficiency energy-saving products of "Energy-saving Products Benefiting the People Project", with an energy efficiency grade of Grade 1 or Grade 2.

Yonghui Superstores actively organized energy-saving renovation of buildings in 2019, and several of these projects have passed the evaluation of energy-saving renovation by the local government:

- Yonghui Energy Saving Renovation Project of Fuzhou Fuxin Store, has a final evaluated renovation area of 11,232 square meters, with an annual comprehensive energy saving rate of 21%.
- Yonghui Confucianist Masion Energy Saving Renovation Project, has a final evaluated renovation area of 9,814 square meters, with an annual comprehensive energy saving rate of 21%.
- Yonghui Xiangyuan Store Energy Saving Renovation Project, has a final evaluated renovation area of 5,187 square meters, with an annual comprehensive energy saving rate of 22%.

Cold Chain Technology of Water Circulation System Used in Stores to Reduce Greenhouse Gas Emissions



We began to introduce cold chain technology of water circulation system in stores in 2019. The new system saves 15% of energy compared with the original system. According to the calculation that the cold chain system consumes 1,200 KWh electricity per day, the energy consumption cost can be saved by 64,800 yuan per year. Since the system does not need a special machine room, the use space of the machine room is saved, and the refrigerant replacement cost is saved by 10,000 yuan per year.

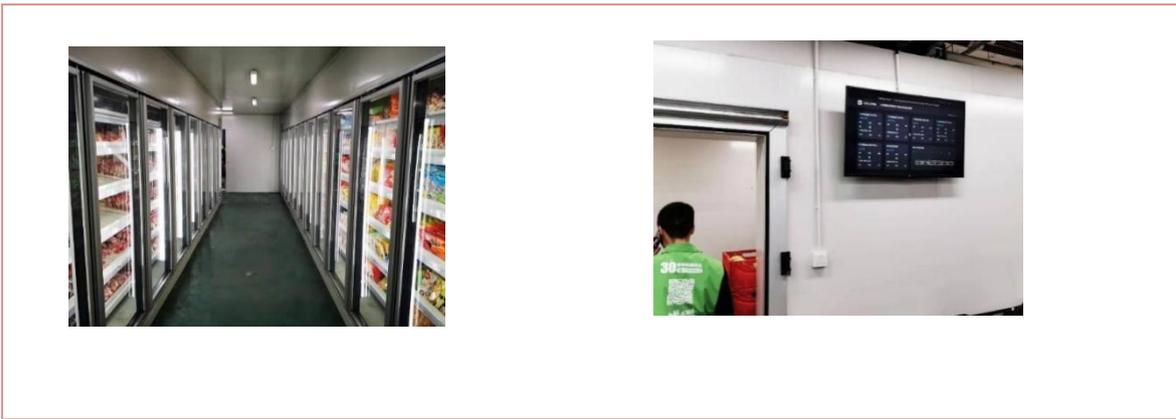
At the same time, the refrigerant used in the system is environmentally friendly R410A, which greatly reduces the greenhouse gas emissions generated by the original refrigerant. We plan to expand the use of the cold chain technology of water circulation system in 2020. Widespread use of water circulation systems in the company will greatly reduce our energy consumption and greenhouse gas emissions.



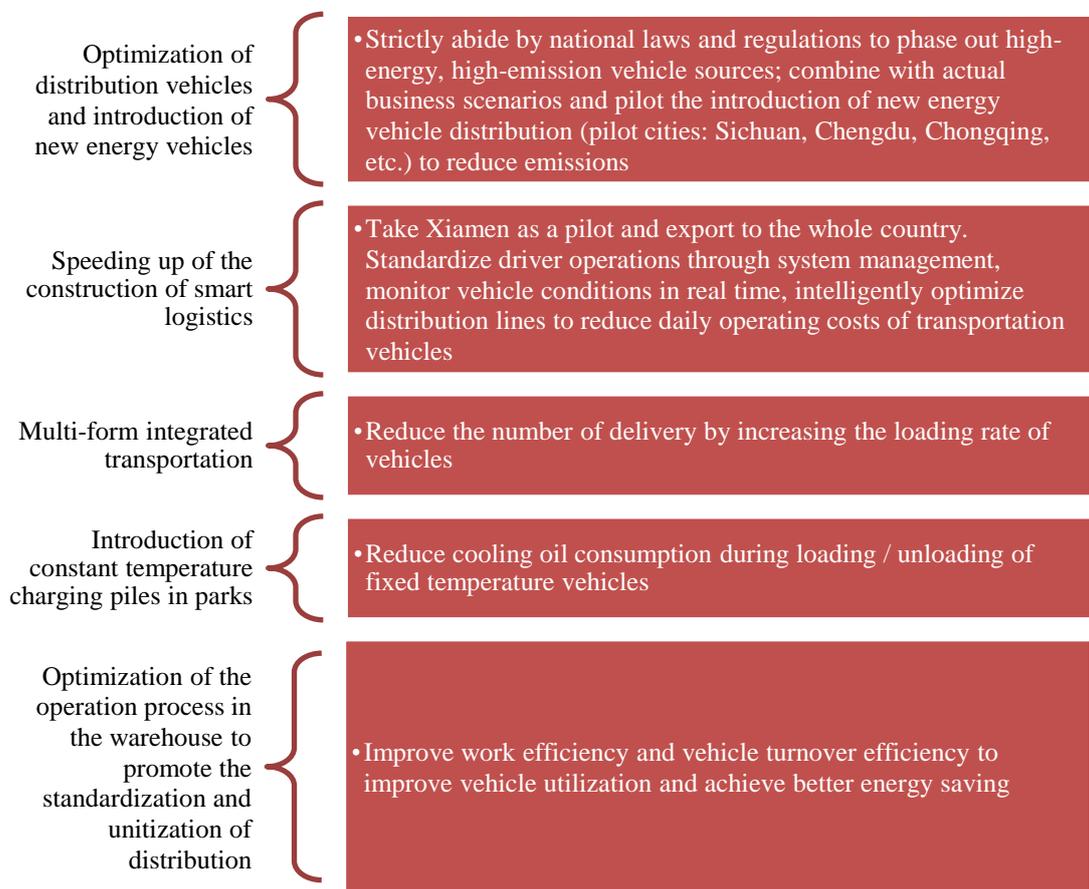
Refrigeration House of Yonghui Satellite Factory Warehouse Realizes Energy Saving

In 2019, we improved the temperature zone in the cold storage. In addition to the freezing and refrigeration temperatures, the middle normal temperature storage is maintained at 15-20°C, which can be used as a storage temperature for ordinary fruits and vegetables, thus reducing the discomfort of employees entering the cold storage from the normal temperature space. Compared with the traditional refrigerator usage mode, the energy is saved by 38%





In addition to implementing energy-saving measures in stores and warehouses, we also pay attention to energy-saving management at the logistics end and reduce energy consumption through the following measures:



The usage of purchased electricity in Yonghui Superstores in 2019 is as follows:

Year	2019
Electricity consumption (KWh)	1,550,038,944.14

Average electricity consumption per million sales	26,451.18
Greenhouse gas emissions (category 2) * (tonnes of carbon dioxide equivalent)	966,604.29

*: Calculated based on 0.6236 kg CO₂ equivalent per kilowatt-hour of purchased electricity

Materials Saving

Yonghui Superstores is committed to reducing the use of materials in the process of transportation through the construction of logistics standardization. Our recycling packaging materials mainly include folding turnover baskets, turnover baskets, iron baskets and standard pallets to replace cartons, woven bags, plastic bags, foam boxes and other packaging materials.

Promotion of the Use of Standard Pallets

In 2019, we adopted two operation modes to realize the joint distribution of pallets, the exchange system and lease system:

Lease system

- Provided by the leasing company, this system is responsible for maintenance, recovery and supply, to meet the high and low peak logistics operation requirements, and to solve the problems of high maintenance cost, difficulty in maintenance, difficult recovery of damaged pallets and difficult cleaning of turnover boxes.

Exchange system

- Pallets and turnover boxes are transferred between different owners in the supply chain. Suppliers and logistics implement the same number of pallet exchange when handing over goods. This system expands the "palletizing + distribution" service to form a combination of lease and exchange, and a closed and open pallets recycling and sharing system. It supports the construction of the "Internet of Things + Pallet" platform, promotes the logistics chain to order, charge, receive and deliver goods and inspect the goods in units of standard pallets and turnover boxes, and improves the standardization and automation of logistics facilities and service processes .

Promoting the Use of Recyclable Folding Baskets

Our average monthly usage of recyclable folding baskets is about 2 million, which have been applied in three ends of the whole supply chain: procurement (local supply, direct supply from origin), logistics and stores. In the application, the single packaging cost and pollution are reduced, so that the turnover basket is not replaced during the "one-touch" operation, thus improving the freshness of commodities, reducing the loss of commodities, and improving the efficiency of upstream and downstream receiving, loading and unloading and tallying. In recent years, we have been reforming the standardization of pallets and pallet repurchase and

leaseback. We plan to accelerate the operation mode of "exchange system" and "standard parts" in the next 3 years, promote the operation mode of delivery with pallets for upstream manufacturers, and realize the exchange data management by using the supply chain platform to realize the 40% increase of exchange system and the 20% increase of standard parts. Through the promotion of folding baskets, the use of wooden pallets is effectively reduced. In terms of saving 10,000 hectares of forest for every 300,000 folding baskets, we use folding baskets for 2 million turnovers per year, which is equivalent to saving more than 60,000 hectares of forest.



Folding basket



Chip turnover box

The chip turnover box, which contains chips, is convenient for food tracing, and as the Company's key project from 2020 to 2021, it strengthens food safety and recycling

At the same time, Yonghui Superstores responds positively to the call and deployment of the national "plastics ban" and works hard to encourage customers not to use plastic shopping bags as much as possible, but to use non-woven bags, shopping baskets and other environmental protection products, strictly implementing the requirement of paid use of plastic shopping bags, and reducing the use of plastic shopping bags by two thirds. In September 2019, it organized the bidding project of PE winding film and PE plastic wrap from 2020 to 2021 to further strengthen the unified procurement monitoring of plastic bags.

Waste Management

In 2019, Yonghui Superstores organized the "Fujian Regional Paper Sale Service Bidding 2019-2021" (including purchase services of foam boxes, waste plastic bags and waste baskets), and introduced enterprises with the qualifications of waste materials recycling and renewable resources management to undertake paper sale and promote the recycling of resources.

Green Office

We continue to promote the automated office system and implement relevant measures to create a low-carbon and environmentally friendly office environment.

- OA Office System: Continuously upgrade OA Office System and advocate paperless office.
- Supplier Service System: A "Supplier Service System" has been developed to realize online functions such as electronic orders and data sharing.
- Issuance of internal electronic publications: The electronic version of the enterprise internal publication "Tongdao" is released on Yonghui Superstores' official website to facilitate employees to read online and reasonably control the circulation of paper versions.
- Phaeton 2.0 Project: Since 2017, Yonghui Superstores and Midea Cloud have successively started Phaeton 2.0 Project, including IHR, budget, smart sharing, smart assets, production and manufacturing projects, supply chain and master data projects and other sub-projects to promote business process optimization.

Environmental Protection Training and Education

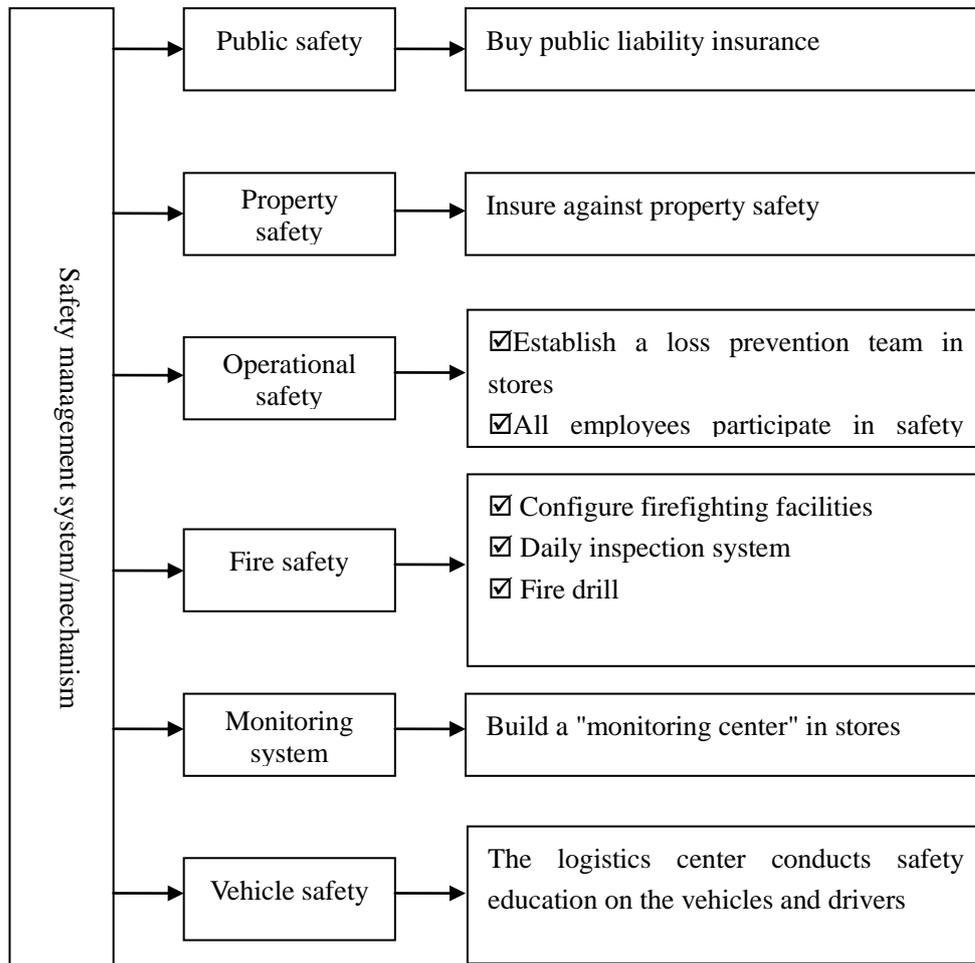
Yonghui Superstores uses superstore broadcasting system, Super Vision Channel E, POP posters and other channels to promote the concept of environmental protection, advocating consumers to reduce the use of plastic bags and encouraging the use of non-woven shopping bags. At the same time, we use environmental protection publicity boards such as "Saving electricity is everyone's responsibility" and "Please save a piece of green land for the earth" according to local conditions to advocate consumers to implement the concept of green environmental protection.

During 2018, Yonghui Superstores donated 100,000 yuan to the Environmental Protection Association, which was earmarked for environmental protection undertakings such as environmental protection publicity and training. On March 22, 2018, Fuzhou Municipal Water Conservancy Bureau and Fuzhou Municipal Environmental Protection Bureau launched the "2018 World Water Day" publicity campaign in Yonghui Superstores to introduce the public to the knowledge of water pollution prevention and control law, green consumption, low-carbon travel, environmental protection and ecological civilization, water resources protection, etc.

4.3 Safety Management

Yonghui Superstores has passed the OHSAS 18000 (Occupational Health and Safety Management System) certification, formulated relevant management systems and safety management systems, and promoted the safe operation of superstores.

Safety Management System



Safety Management Measures

For the safety management of stores, we have adopted targeted management methods involving the preliminary project initiation stage, layout design stage and operation stage.

Preliminary project initiation

- During the preliminary project initiation stage, determine the nature of the project, carry out zoning planning and design, strict construction reporting, construction in compliance, and opening after passing the application and acceptance.

Layout design

- The floor load is considered in the plane layout: the floor load of cold storage and seafood pond area is evaluated, and reinforcement treatment are carried out when necessary.
- The design and selection of shelves meet the requirements of food safety, such as installation of acrylic covers on dry food barrels.
- All equipment manufacturers are required to train store employees to reduce accidents.

- Ensure smooth smoke exhaust in the diesel generator room, safe location of the oil depot, sufficient firefighting height and load in the unloading lane, and reasonable setting of the compressor room.
- Ensure that the height of the socket in the processing room is standardized, and air switches are set to facilitate the installation position of the control box in the processing room.
- Ensure the standard construction of ceiling hanger and the lifting bars with sufficient spacing.
- When installing the shelves against the wall in superstores, shelves are stabilized to prevent falling.

Store operation

- There are hints of hidden installation hazards in stores, such as collision prevention, firefighting, landmark, etc. Anti-falling treatment is adopted for the holes on both sides of the escalator.
- Check the electric leakage risk of equipment in the backcourt of seafood pond.
- Adjust the slope of the goods pulling slope to prevent goods from sliding down.
- The front floor of the elevator is raised to prevent water from flowing back into the foundation pit and affecting the safety of the elevator.
- Anti-skid treatment is adopted for small ramp floor bricks, entrances and exits, escalators and stairs of stores.

Secondly, we regularly organize fire safety drills: regularly organize damage prevention teams of various branches and subsidiaries to carry out fire safety drills to improve the ability to check and eliminate fire hazards, organize the ability to put out initial fires and the ability to evacuate personnel; regularly organize drivers to participate in vehicle safety education, and carry out informed criticism on vehicle violations, so as to put an end to dangerous driving behaviors such as drunk driving and speeding. We always alert employees to pay attention to the safety of electricity use while carrying out patrol inspection on the electricity facilities and equipment in the office and business premises. In addition, in order to effectively protect the personal safety of customers and the property of enterprises, Yonghui Superstores has taken out public liability insurance and property insurance.

Chapter V Win-Win Cooperation

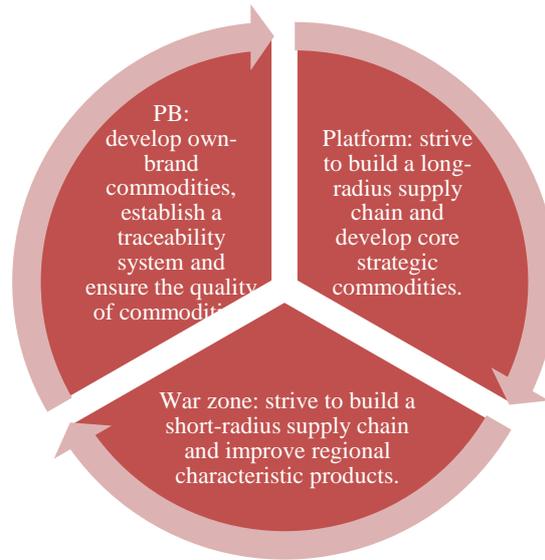
5.1 Supply Chain Management

General guidelines for supply chain management



Supply chain management system

Yonghui’s supply chain management system is both integrated and divided. Specifically, “integrated”: set up a “Large Supply Chain Department” on the basis of the Company’s strategic management, forming an integrated and unified whole; “divided”: delegate powers to the procurement firm team of each war zone according to the distributed management structure. In 2019, we formulated the *Supply Chain Operation Mechanism* to standardize the operation of the supply chain system from power, responsibility and profit distribution (coordination, execution and supervision), system trace and right supervision.



RFID (Radio Frequency Identification) system

As of Dec. 31, 2019, five of our stores have tried RFID inventory application, improving the efficiency by 180%. Besides, we are also studying the application of the system in different scenarios: RFID system carries out whole-course tracking of commodities to run through all links of the supply chain from production, delivery, transportation, storage, distribution to return to the factory, so as to track the quality, traceability and logistics monitoring, improve the data-based tracking of commodity quality, and ensure food safety and quality.



Supplier evaluation and management

Yonghui is one of the core sales channels of domestic and foreign well-known production-oriented enterprises in the Chinese market. These international and national well-known enterprises have not only occupied a decisive position in the market, but also made great achievements in the field of social responsibility. Many suppliers have set up “social responsibility” columns on their official websites or regularly publish corporate social responsibility Reports. Besides, we recommend the suppliers of our own brands to pass *ISO 14001* and *OHSAS18000* certifications and third-party GAP factory audits to ensure compliance with labor protection, environmental protection and safety requirements.

In addition to deepening the partnership between retailers and suppliers, Yonghui highly recognizes the positive actions of upstream well-known enterprises in promoting sustainable development and fulfilling social responsibility. For strategic supplier partners, Yonghui has established a high-level leadership exchange mechanism and an exchange visit mechanism to boost more comprehensive and in-depth beneficial exchanges on areas of cooperation and fulfillment of social responsibility.

Win-win cooperation in supply chain

Domestic strategic sharing mechanism

Yonghui has established cooperative relationship with many domestic supply chain partners through a strategic sharing mechanism to create mutual values.

❖ In March 2019, Yonghui and JD 7-FRESH launched overseas direct procurement of fresh food from Thailand. It is planned to jointly purchase imported products such as durian, mangosteen and longan worth about RMB 5 billion in the next three years.

❖ In October 2019, Yonghui and Wuliangye jointly held the “Road Show for the 8th Generation Classic Wuliangye—Special for Yonghui” to make it more convenient for consumers to buy the 8th Generation Classic Wuliangye in Yonghui.

❖ At the “Pig Industry Development Summit Forum 2019 & New Agriculture and New Retail Products Matchmaking” held in October 2019, Yonghui Superstores Co., Ltd. concluded a strategic cooperation agreement with Xiangcun High-tech Agriculture Co., Ltd. (hereinafter referred to as “Xiangcun”) to ensure high-quality sales platform and channel resources, achieve stable product supply, and prevent product supply interruption and unstable product quality.

Localized procurement policy

Localized procurement policy is a long-term basic policy of Yonghui, especially for fresh agricultural products for which local direct procurement should be given priority. For stores in county towns and economically strong towns, Yonghui also sends buyers to purchase fresh agricultural products from nearby farmers.

In order to actively promote “north-south exchanges, east-west complements” and strive to build a national trade pattern of “large market with high circulation”, Yonghui has accelerated the distribution of commercial outlets across the country, promoted famous, special and high-quality products from all over the country to Yonghui stores, and set up specialty counters such as “Northeast”, “Hebei” and “Sichuan” specialty counters in qualified stores.

Supportive procurement from fruit farmers in Baise, Guangxi

In December 2019, Yonghui fresh food team actively helped Chen Rongshan, a fruit farmer in Baise, Guangxi, to overcome the difficulty in fruit sales. After confirming

compliance of the products with food quality and safety standards, our team bought Chen's remaining 899 products at a price higher than the market price, recovering 20,000 yuan for Chen, and took the initiative to bear the logistics and handling costs, thus alleviating his family's difficulties.

5.2 Promotion of Supply Chain Development

1233 global supply chain platform

Yonghui actively responds to the country's call, deepening the structural reform on the supply side, actively promoting the construction of intelligent supply chain system, and taking "modern supply chain" as a "new growth point" and "new energy" of the modern economic system. In order to deepen the supply-side reform, Yonghui has joined hands with Jardine Matheson, Fujian Provincial Communication Transportation Group Co., Ltd. and Fuzhou Mintian Group Co., Ltd. to build 1233 S2B international supply chain service platform of consumer goods.

1233 S2B platform plans to develop itself into an omni-channel supply chain service platform by digital means, establish an open, symbiotic and shared transaction service system, and promote end-to-end whole-process intelligent collaboration in product sourcing, payment finance, logistics & transportation, brand marketing, etc. The platform will focus on the three major segments "end-to-end fresh food solution", "food product central-purchase solution" and "one-stop foreign trade solution", and address the pain points of supply chain in the three core businesses to truly realize the vision of "1233, making trade easier". Starting from trade, 1233 S2B platform will attract more import & export trade enterprises, relying on Yonghui and its affiliates and combining the distribution of advantageous industries in Fujian and the relevant industry support policies of the government; radiate the whole country based in Fujian and links 233 economies in the world.

Concept of fair trading and its institutional guarantee

Yonghui has been striving to maintain fair trading between retailers and suppliers, and has provided suppliers with an ultra-short settlement period. Besides, we have actively implemented the *Work Plan for Rectifying the Illegal Charges by Large Retail Enterprises from Suppliers* issued by five ministries and commissions, responded to the *Proposal of China Chain Store & Franchise Association for Fair Trading between Retailers and Suppliers*, and carried out comprehensive self-inspection and self-correction to sort out contract terms and charges. At present, Yonghui has made great efforts to rectify illegal charges, given due consideration to the legitimate rights and interests of both retailers and suppliers, maintained fair market transactions, and been highly recognized in many work inspections by regulators.

2018

- Further improved our WeChat Official Account “Retailer-Supplier Online” and APP, and provided suppliers with basic services based on big data, and big data storage and computing capabilities to realize lightweight business intelligence (BI); develop a comprehensive supplier-retailer collaboration model to meet the operational needs of suppliers such as procurement management, settlement management and commodity management, in a more diversified manner; provide efficient patrol and operation tools to manage and evaluate salesmen and carry out closed-loop tracking of patrol work orders.
- Established a “bid invitation system”, issue more than 35 announcements on bid invitation projects such as logistics and distribution services, loyalty cards and shelves, and scientifically and reasonably evaluated and select service providers and suppliers in the principles of openness, fairness and justice.

2019

- Published 48 requests for proposals, covering weak current engineering, store decoration, big data servers, cold storage, air ticket services, hotels, logistics & transportation, etc.

Chapter VI Human Resources

6.1 Overview of Employment

“Become Perfect Through Integration and Sharing” is our core value—helping others is helping ourselves; treating others like family members, changing the destiny with our hands, and starting businesses for ourselves and our families.

Equal employment

In staff recruitment and cadre selection, Yonghui has always been adhering to the principle of equality, voluntariness and two-way selection, without discrimination against nationality, gender, race, region, blood relationship, etc. We insist on local recruitment: employees are recruited locally when a new store is opened. Besides, we have set up a “talent center” at the official website, to provide job seekers with local recruitment information. Job seekers, including local ones, can voluntarily apply for jobs according to their desired workplace.

Yonghui strictly abides by the *Labor Law of the People’s Republic of China*, the *Labor Contract Law of the People’s Republic of China* and other relevant laws and regulations, and provides employees with social security benefits such as basic endowment insurance, basic medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing accumulation funds.

We respect each employee’s right to equal employment, career choice, remuneration for work, and rest & vacation, and observe the national special labor protection policy for female and child labor. Our female employees enjoy legal maternity leave and we have never employed child labor.

Due to the limitations by the characteristics of the chain supermarket industry, we adopt a shift system to the extent permitted by law to meet the daily needs of people, and accordingly pay overtime wages for overtime work. According to relevant provisions, our employees are entitled to paid leaves, such as weekends, statutory holidays, annual leaves, paternity leaves and marriage leaves.

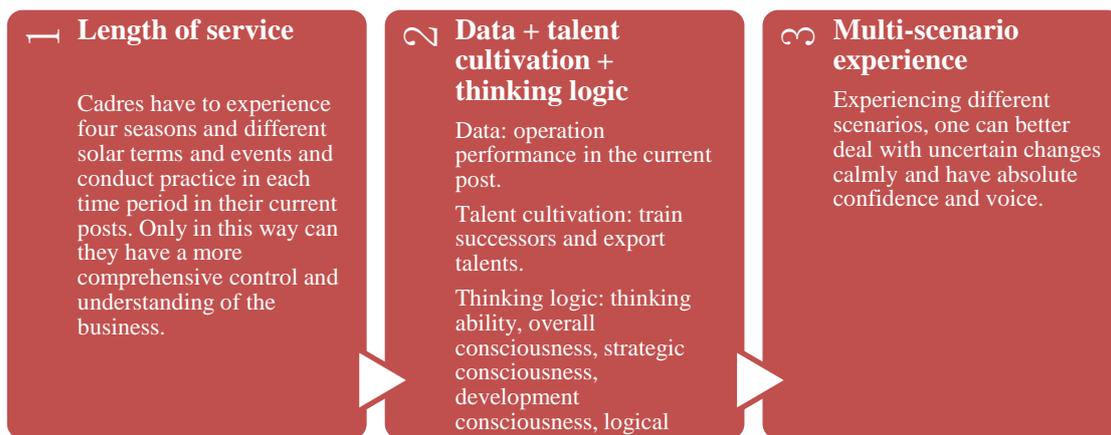
Staff composition

Number of in-service employees in the parent company	108,649
Number of in-service employees in major subsidiaries	2,129
Total number of in-service employees	110,778
Number of retired employees for whom the parent company or any major subsidiary has to bear expenses	893

By employee type	
Employee type	Number (persons)
Technician	105,728
Financial staff	334
Administrative staff	330
Buyer	2,988
Other	1,398
By educational background	
Educational background	Number (persons)
Junior high school or below	55,587
Senior high school/technical secondary school	33,935
Junior college	16,561
Bachelor's degree	4,558
Above bachelor's degree	137

6.2 Development and Training

In 2019, we established an open, transparent, scientific, simple and systematic appointment and evaluation mechanism to evaluate employees from the following three key aspects:



Employee development

1. Career development process



2. Establish an internal competition system

Yonghui has continuously expanded the internal competition channels, covering positions such as buyers, store managers and store partners for various categories of commodities. Though the “partner system” and “competition mechanism”, Yonghui has created promotion opportunities for a large number of outstanding employees.

3. Implement the “partner” mechanism

Yonghui has always adhered to the concept of “integration and sharing” to advance organizational reform. On the basis of drawing lessons from the pilots of the “partner system”, Yonghui has fully promoted the “partner” project in all stores across the country to encourage employees to play the role as masters, established a performance-based incentive and assessment system, improved business performance by efficiency promotion and cost reduction, and achieved reasonable distribution of revenues between the company and employees. Since the introduction of the Equity Incentive Plan in 2017, the Company has actually granted a total of 166,780,900 restricted shares to 341 incentive objects.

4. Appraise and commend outstanding employees

In March 2019, Yonghui, after rigorous and comprehensive selection and evaluation, commended the “Best Stores”, “Top 10 Category Managers”, “Top 10 Platform Partners”, “Top 10 Regional Manager Teams” and “Top 10 Partner Teams” of the year 2018.

Employee training

Online learning platform

In order to continuously optimize the online learning content and experience, Yonghui launched an online employee development system in 2019 which provides step-by-step course games based on posts and categories, making learning more interesting. To put into practice the corporate culture of “mentoring and teaching”, Yonghui also launched an online mentoring-based learning product and established a mechanism for mentoring new recruits through one main line + two channels to realize that there are mentors for new recruits, reserve personnel for new stores, and successors in case of position transfer or promotion.

In order to understand the online learning situation of employees, the platform has developed learning packages that can be customized according to business needs, through a series of data analysis and investigation such as user login, course learning, examination and growth, making learning more efficient. On the basis of backend data analysis, it is found that there were 9 courses with 100,000+ clicks and 17 courses with 10,000+ clicks in 2019, including “Basic Communication and Feedback”, “Cultivation and Development of Young Talents”, “Pricing Strategy for Fresh Food”, “Door-to-Door Business and Full-Warehouse Model”, “Full Warehouse Design Standards”, “Commodity Management of MINI Stores”, etc.

1933 Retail Elite Program

“1933 Retail Elite Program” is Yonghui’s special program for undergraduates, aiming at introducing appropriate undergraduates according to its talent development strategy and building a learning and entrepreneurship platform to help them grow and succeed and meet Yonghui’s needs for partners brought by rapid expansion.

At present, we have established a systematic, process-oriented and standardized 1933 undergraduate training system, and provided 30 training courses of 10 sessions, serving 28 provinces and regions. Since the start of the program, more than 5,000 undergraduates have been introduced.

“Reserve Category Manager” Course

“Reserve Category Manager” Course is a talent program led by the company platform to provide standard and excellent frontline cadres for all provinces and regions. In 2019, we organized two national public selections for reserve category manager pool, and eventually selected 149 talents from nearly 1,500 applicants. Besides, we provided four reserve category manager courses, totally exporting 138 category managers. All of them have graduated and returned to the frontline stores in original provinces or regions.

“Fresh Food Seller” Special Program

Fresh food is the core of Yonghui, and fresh food sellers are our successors and also the future main force. This program provide trainings for fresh food sellers on real-life practices, continuously strengthen the practical ability of trainees, making them more adaptable to work after the program; broadened the thinking width of trainees through public courses, experiential training and the like. In 2019, we provided five seller courses, offered trainings for 532 sellers.

6.3 Employee Care

Employee communication channel

CEO letterbox/ suggestion box	Telephone	OA system	Mail
Employees can directly report internal violations to the “CEO Letterbox” at our official website	Employees can find the office phone numbers and mobile phone	Employees can write directly to executives via OA system.	Employees can also send letters directly to executives.

<p>or send letters on policy consultation or valuable suggestions to the “Suggestion Box”, both of which will be collected and replied by the CEO’s designees.</p>	<p>numbers of executives e.g., EVP and VP in our OA system, and when necessary, talk to them directly.</p>		
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Work-life balance

Yonghui has vigorously carried out diversified and colorful staff activities, set up a “Home of Staff” and “Library” and held “New Year’s Eve Dinner”, Lantern Festival Party and “Fun Sports Meeting” every year. All employees and cadres actively participate in the activities and maintain a good and harmonious working environment and pace of life. In addition, Yonghui provides every employee with birthday gift, wedding gift, birth-giving gift, funeral solatium and other benefits, and sincerely cares about their families.

Yonghui actively supports the construction of labor unions and strives to create strong and necessary conditions for the construction of labor unions. At present, employees have successively set up local labor unions in Fujian, Chongqing, Beijing and Anhui, in which the majority of cadres and employees have volunteered to join, with a membership ratio of over 90%. In the future, Yonghui will further support local employees to build local labor unions and raise the membership ratio according to the development history and staff growth in Henan, Hebei, Liaoning, Jilin, Heilongjiang and other provinces, and further strengthen the business guidance and management of the group labor union over local labor unions.

Yonghui National Carnival

In 2019, Yonghui developed a nationwide half-year carnival, covering 8 major projects and nearly 10,000 people in 24 provinces. From June to October, we held “National Football League 2019”, “Dance Championship 2019” and “Yonghui Best Voice Competition 2019” to show the youth and vitality of Yonghuinese and pass on the cultural concept of “happy work, happy life”.

Three parties for employees

In 2019, we held nearly 10,000 birthday parties, symposiums and welcome parties for employees in nearly 1,000 stores, involving nearly 100,000 person-times. Though these caring activities, frontline employees can truly feel the warmth of home in Yonghui.

“Running China” Marathon Race

On Dec. 15, 2019, “Fuzhou International Marathon Race 2019”, sponsored by Chinese Athletics Association, Fujian Provincial Bureau of Sports and Fuzhou Municipal People’s Government, started in Fuzhou Wuyi Square, as a part of the “Running China” Marathon Races. More than 50,000 athletes took part in this grand event, the number of participants was reaching a new high. Lots of Yonghuineses joined the race in group, showing our confidence and glamour. The group union gave great support to the employees participating in the race, including uniform sportswear and material support.

Employee support

Yonghui has set up labor unions, including group union and branch unions, which are firmly linked with all employees, strive to solve problems for employees, and continuously carry out internal caring activities such as assistance for those who are very ill, help for those in difficulty and education support for employees’ children.

With the strong support of Chairman Zhang Xuansong, Yonghui established a non-profit “Special Mutual Fund” in October 2017 to help employees and their families solve difficulties such as severe diseases and accidents. Since its foundation, the fund has carried out many caring activities such as “Spring Festival Visits” and “Golden Autumn Student Grant”.

Golden Autumn Student Grant

On Aug. 14, 2019, 33 children of Yonghui employees across the country gathered in Fuzhou, the birthplace of Yonghui, to participate in the annual “Golden Autumn Student Grant” activity. The 33 children were granted scholarships and gifts worth RMB 7,000-10,000 by Yonghui Special Mutual Fund. In 2019, 38 students received the grant.

Needy employees support

On Jan. 25, 2019, Yonghui Special Mutual Fund-Spring Festival Visits for Difficult Employees was ceremoniously held in Yonghui Business School. In addition to Spring Festival visits, Yonghui also organized nationwide supporting activities at the Dragon Boat Festival and the Mid-Autumn Festival, covering a total of 148 employees in difficulty.

Chapter VII Community Development

7.1 Active response to national policies

Since the 18th National Congress of the Party, under the strong leadership of the Party Central Committee and the State Council, a large number of favorable policies such as the "Belt and Road Initiative", "Free Trade Zone", "Mass entrepreneurship and innovation", and "Promoting the innovative transformation of the offline retail sector" have been released and Yonghui Superstores has actively responded to these policies:

Integrate into the "Belt and Road Initiative" and "Free Trade Zone":

- Under the strategic deployment of the "Belt and Road Initiative" and "Free Trade Zone", we have established a vertical global procurement and supply chain, opened an international commodity experience store in Fujian Free Trade Zone, and imported products from all over the world, winning the favor of consumers. By making most of the free trade policies reached between China and other countries, such as South Korea, Australia and Thailand. We purchase high-quality goods from the global market and sell them in the Chinese market, providing consumers with "global shopping" experience.

Respond to "Supply-side Structural Reform":

- Adhering to the direction of "globalization", we have actively established a vertical global procurement and supply chain, invested in the Daymon Worldwide, accelerated the cultivation of quality customization of our own brands and committed to global customization and home-delivery services. We have introduced branded products from Europe, America, Japan, South Korea, Thailand and other countries, such as direct purchase of jasmine rice from Thailand and Penfolds wines from Treasury Wine Estates.
- We have actively cooperated with leading enterprises with high quality standards to achieve win-win cooperation. For example, we commenced on cooperating with leading enterprises such as COFCO and Beidahuang to develop high-quality grain agricultural bases in Northeast China; cooperated with Guanwu Aquatic Products Co., Ltd. for the supply of sea cucumbers and prawns and Zhangzidao Group for the supply of lobsters and scallops; cooperated with Suzhou Yangcheng Lake Hairy Crab Marketing Co., Ltd. for direct purchase of "Yangcheng Lake" hairy crabs, and Zhejiang Ruian Huasheng Aquatic Products in introducing export-grade deep-processed aquatic products for domestic consumers;
- We reached strategic cooperation with major national suppliers such as Procter & Gamble, Orion, Sanquan, and Unilever to improve the product supply structure on a consumer-centered base. We have promoted the construction of "Caishixian" central factories in Fujian, Chongqing, Beijing, Sichuan and other regions for food preparation services, replacing the "front shop and back factory" model with intensive production models, thus improving food preparation efficiency, reducing

production costs and effectively safeguarding food safety;

- We have jointly established a raw material supply chain service platform for the catering industry with the well-known catering company "Hai Di Lao" in China. To enhance the in-store experience for customers, we have set up high-end "dine-in-the-diner" areas such as seafood, Japanese cuisine, and Hong Kong-style refreshments in the store to drive customer retention.

Inspire "mass entrepreneurship and innovation":

- We have vigorously promoted "mass entrepreneurship and innovation", promoted organizational change by adopting the "partner" system, and transformed stores from groups to different types of "small stores" with each small store being operated by a partner; Besides, we actively promote employee stock ownership plan, and encouraged the management and business backbones to buy stocks in the equity restructured and newly established branches and subsidiaries.

Food safety safeguard:

- We are aware of our responsibility of "safeguarding food safety" and cooperate with international leading professional testing institutions to build a food safety testing service center, providing food and agricultural product quality testing for upstream manufacturers such as food producers and agricultural enterprises to consolidate the defensive line for the food market;
- We gradually improved the supply chain traceability system, and actively cooperated with the State Food and Drug Administration and industry associations to push for food safety self-regulation in the circulation field;
- We have promoted the construction of "China Commodity Data Sharing Platform" for big data sharing in the industry and electronic demanding of invoices and certificates.

Link up farmers with stores, stabilize the price and secure an adequate supply:

- We have firmly and actively responded to the call of the government to stabilize the price and secure an adequate supply and have given full play to the platform advantages as a main channel in the retail terminal, playing a leading and backbone role in linking up farmers with stores, stabilizing the price, securing an adequate supply, solving the problems for producers and consumers, emergency rescue and other actions. We have made every effort to secure the supply from all over the country to effectively meet people's daily needs.

Improve the construction of agricultural product circulation system:

- In response to the *Opinions on Strengthening the Construction of Circulation System of Fresh Agricultural Products* of the General Office of the State Council, Yonghui Superstores promotes the "Yonghui Mode" that focuses on the operation of fresh agricultural products nationwide, and vigorously develops modern fresh food supermarkets, clod-chain logistics distribution centers, direct purchase bases and other projects to further promote the transformation and upgrading of circulation mode of agricultural products, as our practical actions in response to national policies.

Implement targeted poverty alleviation:

- In terms of targeted poverty alleviation, Yonghui Superstores gives full play to the driving force as a leading enterprise, promotes self-reliance in poverty-stricken areas, and expands ways to alleviate poverty and pursue prosperity. Yonghui Superstores has helped poverty-stricken areas develop agriculture in the principle of "one village, one product" and "one village, many products". According to incomplete statistics, in 2019, Yonghui Superstores spent RMB 1,099.37 million on direct purchase from national poverty-stricken counties.

7.2 Harmonious relationship between government and enterprise

Bathed in the spring breeze of reform and opening-up, Yonghui Superstores has made great strides in development, and has been recognized and welcomed by local governments and people. A harmonious and sound relationship between government and enterprise has been established with outstanding social contributions. Over the years, Yonghui Superstores has actively contributed to financial revenue, social employment, market stability, development of agriculture, rural areas and farmers and charity undertakings in local governments.

Increase the tax revenues	Job creation	Guarantee market stability	Drive the development of agriculture, rural areas and farmers	Develop charity undertakings
As a large tax payer, we have greatly increased local financial revenue with the continuous growth of tax volume and increment. In 2019, Yonghui Superstores paid a total tax of RMB 210.7 million nationwide.	We have actively cooperated with the local government in reemployment of laid-off workers, employment of college and secondary school graduates and rural labor force transfer, providing a large number of jobs and promoting social employment.	We always focus on people's livelihood and solving the problems for producers and consumers to actively ensure market supply and price stability.	We have vigorously promoted the "link up between farms and stores", introduce local special agricultural products into supermarkets, driving farmers to increase production and income, and promoting the development of "agriculture, rural areas and farmers".	We always adhere to the national spirit of "boundaryless love", and maintain simultaneous development of charity undertakings and national business expansion. We intend to benefit the public with our presence.

Serve the community

Respond to emergency rescue and ensure stable supply
Typhoon Nepartak caused serious damage to Fujian Province. Minqing County and Yongtai County were the hardest hit areas. In response to the deployment of the provincial

government and the provincial department of commerce, Yonghui Superstores promptly launched the market supply emergency guarantee mechanism in the disaster-stricken areas, and sent vegetables, meat, eggs, salt, oil, monosodium glutamate and other necessities on a daily basis to affordable food supply stations in 8 towns in Minqing County, including Bandong, Tazhuang, Shenghuang, Baizhang, Sanxi Township, Baizhong, Yunlong, Shanglian Township and 4 towns in Yongtai County, including Qingliang, Baiyun, Danyun and Hongxing to meet basic living needs of the people in the disaster-stricken areas.

As always, Yonghui Superstores actively guarantees sufficient supply, stable price and food safety on festivals and continuously supply affordable commodities such as meat, vegetables, melons, fruits, eggs, poultry, grain and oil to ensure stable price during festivals.

Industry-led poverty alleviation projects

Fuping Yonghui Persimmon Processing Industrial Park Project

In October 2017, the Persimmon Processing Industrial Park invested and constructed by Fuping Yonghui Modern Agricultural Development Co., Ltd. was completed and put into operation. The "Shizihongle" branded high-quality products were popular among consumers. At the same time, Yonghui Superstores has established persimmon planting bases in Fuping County in the "company + farmer" cooperation mode to promote the scale and branding development of persimmon industry in Fuping County. In 2018, Yonghui Superstores employed 24 local poverty-stricken people, drove the development of additional 10000 mu persimmon farms, transferred the land from 17 poverty-stricken households, and distributed fixed income funds to people living below the poverty line. From December 2019 to February 2020, 600 tons of persimmons were sold in Yonghui stores nationwide, with the sales revenue reaching RMB 40 million.

Minxian County Yonghui Chinese Bee Medicinal Honey Processing Industrial Park Project

In 2019, Yonghui Superstores established "Minxian Fumin Foundation" in Minxian County. Meanwhile, Yonghui Superstores launched the Chinese bee medicinal honey production and deep-processing project in Minxian County, which was completed and put into operation in December 2019, with an annual output of 1000 tons of mature Chinese bee medicinal honey. With the support of the relevant departments of the local government, Yonghui operation team organized employees to investigate nearly 100 professional Chinese bee breeding farmers' cooperatives to secure the honey supply for the factory. When the factory reaches its stable production, it is expected to process the medicinal honey output of 10,000 local honey farmers and help at least 5,000 farmers get rid of poverty. Part of the profits generated by the project will be put into local charity and public welfare foundations for setting up special poverty alleviation and education funds in Minxian County.

7.3 Charity undertakings

In the rapidly changing social environment, Yonghui Superstores takes the initiative to

assume the social responsibility as a corporate citizen, vigorously carries out charity activities such as poverty alleviation and relief, education assistance, disaster relief and rescue, respecting the old and caring for the young. By the end of 2019, Yonghui Superstores has donated more than RMB 200 million to the society.

Donate nutritious meals to needy children

In September 2019, Yonghui Superstores, in cooperation with the WFP (World Food Program) and Tencent Foundation, donated 50,000 nutritious meals to needy children aged 3-5 in remote areas, providing them with the high-quality rice of the "YH Selection · Tianqu" product series.

Warm action for the New Year's Day and Spring Festival

Yonghui Superstores has signed a ten-year designated donation agreement with Fuzhou Federation of Trade Unions. The agreement stipulates that Yonghui Superstore will make designated donations of RMB 15 million (RMB 1.5 million per year on average) for the New Year's Day and Spring Festival in the next ten years from 2012. The donations will be earmarked for booking special flights, special trains and special vehicles for migrant works to return home during the New Year's Day and Spring Festival period, helping the "new Fuzhou citizens" to buy train tickets online and for providing Spring Festival Eve dinner for builders from all walks of life to stay in Fujian for the Spring Festival, etc.

On December 23, 2019, Fujian Yonghui Labor Union went to "Fangxing Jiayuan" in Jingxia Village, Baisha Town, Minhou County, Fuzhou City, Fujian Province and visited people with mental disorders. The union donated RMB 22,800 to help the construction of "Fangxing Jiayuan" in Jingxia Village.

"Emergency relief" actions

On June 17, 2019, a 6.0-magnitude earthquake occurred in Changning County, Yibin City, Sichuan Province. To help the government to settle citizens in need, Yonghui Superstores in Sichuan Province immediately took action and delivered the first batch of relief materials, including 1000 kg of rice, 80 barrels of rapeseed oil, 100 boxes of mineral water, 100 boxes of milk and 200 bags of toilet paper to the disaster-stricken areas, and subsequently delivered the second batch of relief materials, including 200 beds of summer quilts, 200 boxes of self-heating rice meals, 70 boxes of instant noodles and 110 pieces of water to Gongxian County, Yibin City. In addition, Yonghui Superstores Changning Store in Yibin City, Sichuan Province prepared vegetables, meat and poultry, eggs, milk and other commodities in sufficient stock, and made every effort to ensure adequate supply of daily necessities at stable price for the people in the disaster-stricken areas.

7.4 Anti-epidemic actions

The outbreak of COVID-19 makes the Spring Festival of 2020 becoming such a special one,

many Yonghui employees fighting in the front line against COVID-19. Yonghui employees from 151 Bravo stores and 143 Mini stores in four districts of Fuzhou City stuck to their posts during this special Spring Festival and worked together to secure living materials for the people and made their contribution to the fight against COVID-19.

Help Wuhan and defend Chongqing

January 24, 2020, the Lunar New Year Eve. In response to the urgent request of Chongqing Municipal Commission of Commerce for requesting Chongqing Yonghui Superstores to prepare and deliver vegetables and other materials for fighting COVID-19 in Wuhan, Chongqing Yonghui Superstores, by overcoming material shortage, logistics outage, shortage of porters and many other difficulties due to the close of market during the Spring Festival, successfully delivered the first batch of 30 tons of vegetables to Wuhan at 5 a.m. on the next day. Subsequently, Chongqing Yonghui Superstores successively distributed 57 tons of vegetables and other materials to Wuhan, meeting the needs of the people in Wuhan in time.

Ensure sufficient supply to safeguard people's livelihood

Due to the outbreak of COVID-19, there was a serious shortage of instant noodles inventory in Chongqing. Being aware of the situation, Chongqing Yonghui Grocery Business Unit immediately contacted Master Kong and other suppliers to supplement the supply. On that day, 39,928 boxes of instant noodles were ordered and delivered by the manufacturers the next day. However, due to the store's urgent need of instant noodles and the shortage of vehicles in the logistics company, Chongqing Yonghui Grocery Business Unit sent 5 trucks to pick up 9,071 boxes of instant noodles directly from the logistics company, providing a reliable guarantee for the continuous supply of commodities for the people's livelihood.

Proceed without hesitation in the state of emergency

With the spreading of COVID-19 in Chongqing, from the first day of the Lunar New Year, unprecedented panic buying broke out in stores, and goods in most stores were sold out. To win the war against the epidemic, the purchasing staff of Chongqing Fresh Food Business Unit returned to work in advance.

To maintain social stability, stabilize the price, and avoid social panic caused by stock shortage, Chongqing Yonghui Superstores transferred 30 tons of frozen pork on the second day of the Lunar New Year, and slaughtered the meat at night; purchased 860 tons of vegetables and sold 1,385 tons of dry goods and 163 tons of meat and poultry; and resumed distribution of aquatic products in Sanya Bay and Jingkou markets. With excellent material allocation ability and commodity supply support, Chongqing Yonghui Superstores has built confidence for people fighting on the front line.

Fast response of Yonghui Logistics

To ensure the transportation of all kinds of emergency materials, living materials, and fresh foods for fighting the COVID-19, employees of the logistics department of Yonghui Superstores responded quickly, returned to work immediately, and implemented emergency

loading and unloading to ensure commodity supply on the market. On the third and fourth day of the Lunar New Year, the logistics department of Yonghui Superstores in the four districts of Fuzhou distributed a total of 1,703 tons of vegetables and 1,381 tons of rice, and the sales revenue of frozen food distribution reached RMB 5.78 million. In addition, 2,865 boxes of salt were distributed to stores out of salt and the stock of salt in logistics warehouses was replenished. Yonghui Logistics Center, with sufficient living materials and anti-epidemic materials, has greatly reassured first-line personnel and played a significant role in keeping price stability, avoiding commodity out of stock, and maintaining social stability.

Honors and Events in 2019

Honors in 2019

- Yonghui Superstores won the "2018 Top 100 Private Enterprises in Fujian Province" (No.5) awarded by Fujian Province Federation of Industry and Commerce.
- Yonghui Superstores was listed as a "2019 Top 500 Most Valuable Brands in China" by Brand Finance, a British brand evaluation agency.
- Yonghui Superstores was awarded the title of "Advanced Private Enterprise in the Targeted Poverty Alleviation Action of Thousands of Enterprises Helping Thousands of Villages in Fujian Province" by the United Front Work Department of Fujian CPC Central Committee, Fujian Province Federation of Industry and Commerce, Fujian Province Poverty Alleviation Office, etc.
- Yonghui Superstores was named as a "BrandZ™2019 Top 100 Most Valuable Chinese Brands" (No.77) by Kantar Millward Brown.
- Yonghui Superstores was awarded a "Top 6 Chain Stores in China and Top 4 Fast Moving Consumer Goods Chain Stores in China" by China Chain Store & Franchise Association.
- Gao Xinyuan from Yonghui Superstores Henan Co., Ltd. was awarded the "Model Worker of Henan Province" by Henan Province Federation of Trade Unions.
- Yonghui Superstores won the "2019 Top 500 Companies by Market Capitalization" (No. 119).
- Beijing Yonghui Superstores Co., Ltd. won the "Award for Social Responsibility for Poverty Alleviation in Beijing" by the Office of Beijing Poverty Alleviation Cooperation and Support Cooperation Leading Group and Beijing Municipal Human Resource and Social Security Bureau.
- Yonghui Superstores was listed as a "2019 Top 500 Private Enterprises (No. 93)" and "2019 Top 100 Private Enterprises - Service Sector (No. 34)" by the All-China Federation of Industry and Commerce.
- Yonghui Logistics Co., Ltd. won the "2019 Top 100 Private Enterprises in Chongqing (No.20)" and "2019 Top 10 Private Wholesale and Retail Enterprises in Chongqing (No.4)" jointly awarded by Chongqing Federation of Industry and Commerce and Chongqing Municipal Commission of Economy and Information.
- Yonghui Superstores won the "2019 Top 500 Chinese Enterprises" (No. 259) by China Enterprise Federation and Chinese Entrepreneur Association.
- Yonghui Superstores was listed in the Fortune's Future 50 (No. 35).
- Beijing Yonghui Superstores Co., Ltd. was awarded "Military Parade Service Support Unit in Commemoration of the 70th Anniversary of the Founding of the People's Republic of China" by the Military Parade Joint Logistics Support Army Service Station.

▪ Yonghui Superstores won the "Best Corporate Governance Awards 2019" and "2019 Most Trusted Brands of Listed Companies" by the 8th Honesty and Credit Summit Forum of Listed Companies in China.

▪ Yonghui Superstores was awarded the "Model Enterprise in the Business Sector in the Past 70 Years" by China Business Herald, China Business Innovation Conference, etc.

▪ Yonghui Superstores was listed as a "2019 Top 100 Enterprises in Fujian (No. 11)" and "Top 100 Enterprises in Fujian Province – Service Section (No.6)" Fujian Federation of Enterprises and Entrepreneurs, Fujian Academy of Social Sciences, etc.

▪ Yonghui Superstores was honored as the "2019 Top 100 China Brand Power Grand Ceremony" by CCTV.

Events in 2019

January

- Yonghui Superstores took the lead in promoting the business form innovation pilots of mini stores in Fujian, Chongqing, Sichuan and Anhui to improve the layout of community commercial outlets in the form of big stores + small stores.

February

- Zheng Xincong, the Vice-Governor of Fujian Province, went to Baima Vanke store of Yonghui Superstores to investigate market supply for the festival period, and expressed satisfaction with Yonghui Superstores' food supply, demanding of certificates and invoices, standardization of "one product, one code" traceability process, food hygiene management, etc.

March

- "March forward bravely and strive for greatness"—the 2019 Yonghui Yunchao Annual Conference was held in Fuzhou, calling on all Yonghui employees to stick to their original intention and strive for creating a new era.

June

- After being reviewed by the Fourth Board of Directors, Li Guo was appointed president of Yonghui Superstores Co., Ltd.; Wu Guangwang was appointed executive vice president; Peng Huasheng, Wu Limin, Zeng Fengrong and Yang Li were appointed vice presidents.

- "Focus on the Greater Bay Area and open up a new era" - the kick-off meeting of Guangdong ParknShop Yonghui Superstores Co., Ltd. was held in Shenzhen, marking the joint efforts of Yonghui Superstores, ParknShop and Tencent in expanding the Greater Bay Area market.

- Xiao Yaqing, head of the State Administration of Market Regulation and Party secretary visited Yonghui Logistics to investigate food safety. He fully affirmed the effectiveness of Yonghui Superstores in safeguarding food safety.

July

- The enlarged meeting of core team of Yonghui Superstores Co., Ltd. was held in Fuzhou, urging all Yonghui employees to concentrate on achieving the RMB 100 billion goal from top down.

August

- The "2019 Yonghui Superstores setting sail for the youth to dream -- assist the impoverished students in the golden autumn " was held in Fuzhou. Yonghui Special Mutual Aid Foundation donated "Golden Autumn Scholarship" to 33 students who are families of Yonghui employees.

▪ Yonghui Superstores and the 4paradigm (Beijing) Technology Co., Ltd. held a strategic cooperation signing ceremony in Chongqing, forming a joint team to build a technology enabling platform for the retail industry, and to build a "Scientific Yonghui".

October

▪ After being reviewed by the Fourth Board of Directors, Yonghui Superstores subscribed the new shares of Xiangcun Hi-tech Agricultural Co., Ltd., which accounted for 20% of the total shares after private placement, providing effective guarantee for the supply and safety of meat products.

▪ "1233 International Supply Chain Management Co., Ltd." was officially established, committing to build an international supply chain service platform of "buy from world and sell to world" (official website: www.1233s2b.com).

▪ Online test of "Yonghui Maicai" was carried out, focusing on building "Yonghui in Your Mobile Phone". This program aimed to improve the Yonghui Superstores' ability of "store-delivery" and "home-delivery", and promote the integrated development of online and offline through YH self-supporting app, third-party platforms and other multi-point modes.

November

▪ The Second China International Import Expo was held in Shanghai National Convention and Exhibition Center. President Li Guo of Yonghui Superstores led the purchasing team to participate in the exhibition and signing and docking activities.

▪ Yu Weiguo, Secretary of CPC Fujian Provincial Committee led a delegation from Fujian Province visit to Japan, France and Spain. Relevant principals of Yonghui Superstores attended economic and trade exchanges with the delegation.

▪ In response to the "new atmosphere, new development and new requirements", the operation team of Yonghui Superstores moved to Hongqiao District, Shanghai as an effort to integrate into the international metropolis from all aspects of talents, commodities, efficiency and innovation.

December

▪ After being reviewed by the Fourth Board of Directors, Yonghui Superstores subscribed partial shares issued by Powerlong Commercial Management Holdings Limited to promote high-quality commercial property cooperation between the two sides.

▪ In response to the call of "targeted poverty alleviation" of the CPC Central Committee, and to implement the poverty alleviation cooperation deployment between the eastern and western China, the poverty alleviation project of "1000 tons of Chinese bee medicinal honey processing industry" invested by Gansu Minxian Yonghui Agricultural Development Co., Ltd. was completed and put into trial production. The project plays a demonstration role in driving poverty-stricken households in Minxian County to develop the upstream beekeeping industry chain.

▪ Yu Weiguo, Secretary of CPC Fujian Provincial Committee went to Fuxin store of Yonghui Superstores to collect information about the market supply during the festival. He gave positive affirmations to Yonghui Superstores during his visit.

Look Ahead to the Future

In 2019, we have taken social benefits into consideration in supply chain construction, commodity developing, quality control, public welfare marketing and other dimensions to create value for consumers and society. 2020 will be a challenging year for us. We will continue to push forward digital transformation and online and offline integration by adhering to our original intention and making innovation and breakthroughs, providing our customers with better consumption experience and satisfaction through more refined operation management.

To achieve this goal, we will further improve internal management, make systematic planning in corporate governance, food safety, environmental protection, healthy organic food, talent development, supplier-retailor relationship and explore efficient implementation path to continue to create value for our shareholders and other stakeholders.

Corporate governance: we will continuously improve our corporate governance level, improve the social responsibility governance structure, and promote the integration of ESG practice and our strategic development.

Food safety: from the source, production, circulation and other aspects, we will commit to providing consumers with safe, healthy and cost-effective products to better meet their expectations.

Environmental protection: on the basis of fully complying with local environmental protection laws and regulations, we will improve energy consumption efficiency and reduce greenhouse gas emissions through equipment upgrading. In addition, we will actively promote the substitutes of common plastic products and promote green products to reduce the carbon footprint of the industrial chain and practice circular economy.

Healthy organic food: we will continue to promote the development of healthy products without chemical additives and the sales of organic products to respond to the demand of upgrading of consumerist values and lead the healthy trend.

Talent development: we will optimize the talent ranking structure, continue to build a lean and efficient team, so that employees and enterprises can develop and grow together.

Supplier-retailor relationship: we will deeply explore the source capacity of the supply chain, and ensure product quality by strengthening the source management. In addition, we will promote environmental protection and labor management in the supply chain, and work with suppliers to fulfill their social responsibilities.