**Application proof of**

# Liuliu Orchard Group Co., Ltd.
# 溜 溜 果 園 集 團 股 份 有 限 公 司

(the "**Company**")

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

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# Liuliu Orchard Group Co., Ltd.
# 溜溜果園集團股份有限公司

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

## [REDACTED]

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

***Joint Sponsors, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]***

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# IMPORTANT

[REDACTED]

# IMPORTANT

[REDACTED]

# EXPECTED TIMETABLE[1]

[REDACTED]

# EXPECTED TIMETABLE[1]

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# EXPECTED TIMETABLE[1]

[REDACTED]

# EXPECTED TIMETABLE[1]

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*This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to [REDACTED] in the [REDACTED].*

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## OVERVIEW

We are a pioneer in fruit snacks and a leader of plum-based products in China. We also aspire to promote plum culture and to introduce natural and healthy snacking options through our continuous innovation efforts. Guided by our "Plum + " product development strategy, we have built a diverse plum-based products portfolio ranging from classic products crafted with traditional techniques to innovative products fused with complex flavors, catering to a wide range of taste profiles. Through our multi-faceted sales channels and robust R&D capabilities, we are committed to delivering various nutritious fruit snacks crafted with quality raw materials to a wide range of consumers. Since the launch of our iconic brand in 2001, we have firmly pursued the mission of "letting the world savor the delightful taste of plums" by deepening our expertise in the plum-based products industry and unlocking the culinary potential of sour flavors within plums. We have consistently expanded product matrix and vertically integrated our value chain, delivering superior products and setting the industry standards.

We focus on fruit snacks and other innovative snacking options catering to health-conscious consumers. In 2024, we ranked first in China's fruit snacks industry in terms of the retail sales value, with a market share of 4.9%, according to Frost & Sullivan. Crafted with our proprietary green plum nectar and other fruit nectar, our disruptive plum jelly rapidly captured consumer bases. As a result, according to Frost & Sullivan, in 2024, we ranked first in China's natural jelly industry in terms of retail sales value, representing a market share of 45.7%.

Our brand is synonymous with plum-based products, owing to our decades-long foothold in the industry. According to Frost & Sullivan, in 2024, we ranked first in China's plum-based products industry in terms of retail sales value, representing a market share of 7.0%. Within specific segments, we ranked first for four consecutive years in both green-plum-based fruit snacks industry and prune-based fruit snacks industry from 2021 to 2024, in terms of retail sales value, according to the same source. Plum-based products, due to their natural content of digestion-aiding components, organic acids and antioxidant substances, align with the modern consumers' pursuit of a healthy lifestyle and meet their demand for functional health-conscious foods. Driven by their rising health consciousness, Chinese consumers are increasingly prioritizing food safety and nutritional value, while demonstrating a stronger willingness to pay a premium for snacks featuring health attributes, generating market opportunities for plum-based products that are rich in vitamins, organic acids and polyphenols. According to Frost & Sullivan, the market size of China's plum-based products industry grew from RMB27.3 billion in 2020 to RMB49.9 billion in 2024 with a CAGR of 16.3%, and the market size is expected to further increase to RMB93.7 billion in 2029. In addition, the market size of green-plum-based fruit snacks grew from RMB5.1 billion in 2020 to RMB9.1 billion in 2024 with a CAGR of 15.5%, and the market size is expected to reach RMB17.0 billion in 2029, with a CAGR of 13.0%. In the meantime, the market size of prune-based fruit snacks grew from RMB2.4 billion in 2020 to RMB4.1 billion in 2024 with a CAGR of 14.6%, and the market size is expected to reach RMB8.2 billion in 2029, with a CAGR of 14.9%.

Drawing on the Chinese phrase, "suan liu liu" ("酸溜溜"), which stands for mouthwatering sourness, our Liuliumei brand can be instantly associated with the sour flavor sensation. Positioning ourselves as the ambassador of plum culture and an expert of sour flavors, we have leveraged our decades-long industry expertise and deep market insights to harmonize the rich heritage of plum-based products with plum's signature sour flavor profile, establishing the "Plum + " product development strategy. Pursuing this strategy, we have presented three major product categories: dried plum snacks, prune-based products and plum jelly, as well as other plum-based products, such as plum gummy and plum tea concentrate. Our dried plum snacks, such as Snow Plum and Refreshing Plum, have received enduring popularity. During the Track Record Period, our revenue generated from the sales of dried plum snacks grew steadily. Besides our dried plum snacks, our plum jelly also garnered popularity once it was introduced, capturing a market share of 2.9% in China's jelly industry in 2024 and making us one of the major market players and a leader in natural jelly industry. During the Track Record Period, we generated revenue from the sales of plum jelly of RMB230.3 million, RMB311.1 million and RMB410.4 million in 2022, 2023 and 2024, respectively. To further diversify our offerings, we had introduced plum gummy in 2025, reinforcing our market position as a leading company focusing on plum-based products and manifesting our "Plum + " product development strategy.

Moreover, our integrated supply chain ensures the premium quality of our products, implementing rigorous quality control processes covering from raw material selection to manufacturing process, thereby reinforcing our market leadership:

- ***Raw materials***: To ensure our quality control over raw materials and bargaining power against the upstream suppliers, we procure plums in all major plum sourcing regions in China. In the meantime, we also encouraged the planting of green plums by offering technical guidance, such as seedling and orchard management, to farmers in major plum sourcing regions. On the other hand, with respect to our prune-based products, we have forged strong partnerships with premium prune farms in renowned sourcing regions, including Chile, France and the U.S., to ensure high-quality raw material supply at competitive price.

- ***Production***: We adopted various measures to ensure the food safety and finished product quality throughout the production process. Specifically, we established production bases in major plum sourcing regions in China, including Anhui, Fujian and Guangxi, ensuring short wait times between the harvest and preliminary processing, which guarantees the quality of our products.

We also established the plum jelly factory in 2022, deploying cutting-edge food processing equipment and technology to extend the shelf life of our plum jelly products without adding preservatives. Furthermore, we continuously invest in the production automation to enhance our production efficiency and further drive down our production costs, achieving the highly automated intelligent production.

The successes of our products illustrate our capabilities in translating our R&D initiatives into popular products. Besides product innovations and upgrades, our fundamental R&D initiatives pave the way for our product development. Capitalizing on our brand recognition and industry expertise, we led the formation of the National Plum Innovation Alliance and established Liuliumei Research Institute, which focus on the fundamental research of plum varieties and drive our innovations of our plum-based products. We also collaborate with universities and research institutions to develop plum varieties with desirable traits such as high fruit-bearing rates, high yield, rich flavor and strong resistance to pests and diseases. As of December 31, 2024, we have 42 invention and utility model patents that are material to our business operations, and we are recognized as a Provincial Enterprise Technology Center.

Our multi-faceted sales network combines direct sales efforts and distributorship network that encompass both online and offline scenarios. We have effectively capitalized on the growth opportunities brought by emerging retail channels, such as snack stores and membership stores. By offering products in differentiated packaging tailored to each channel's target customer base, we effectively promote our product portfolio. Leveraging our comprehensive distribution network, we have successfully amplified our shelf presence across cities of different tiers. Our decades-long channel development has cultivated a nationwide distribution network with 1,396 distributors covering 34 provinces and municipalities as of December 31, 2024. We also operate online flagship stores and engage with other online platforms, such as e-commerce and live commerce, to expand our market reach. Concurrently, we are also actively expanding overseas markets, such as Japan, Korea and Southeast Asia, while adopting culturally adaptive sales and marketing strategies.

Drawing on our widely popular products and memorable marketing campaigns, we have established our brand as a widely-recognized brand among consumers nationwide. Positioning ourselves as the ambassador promoting the longstanding plum culture, we have implemented culture-driven marketing campaigns that highlight the rich cultural and historical roots of plum-based products. We also carefully select celebrities and KOLs who seamlessly align with our brand image to appeal to younger consumers and to extend our brand influences. To further penetrate existing customer bases while introducing our brand to new ones, we collaborate with selected retail customers and cross-industry brands to develop customized products or co-branding products, thereby increasing our brand visibility. Our brand was honored as one of the Top Ten Innovative Brands in China's Food Industry in 2016. Meanwhile, our products have been highly praised, with our plum jelly products winning the Gold Award at the National Competition for Special Tourism Products in 2021 and the Superior Taste Award 1-Star Medal by the International Taste Institute in 2023.

During the Track Record Period, we achieved strong growth. In 2022, 2023 and 2024, our total revenue amounted to RMB1,174.0 million, RMB1,322.0 million and RMB1,616.0 million, respectively. Our gross profit had continuously increased during the Track Record Period, being RMB453.2 million, RMB529.7 million and RMB582.5 million in 2022, 2023 and 2024, respectively. We also effectively managed our costs and enjoyed benefit from economies of scale, recording net profit of RMB68.4 million, RMB99.2 million and RMB147.7 million in 2022, 2023 and 2024, respectively.

## OUR STRENGTHS

We believe the following competitive advantages have contributed to our success and will help drive our growth in the future:

- Pioneer in snack industry and leader of plum-based products spearheading the industry development.

- Ambassador of plum-based products and expert of sour flavors, offering diversified and nutritious products through dedicated R&D efforts.

- Comprehensive sales network and diversified marketing campaigns, deeply penetrating the markets at all levels.

- Integrated supply chain covering raw material procurement to meticulous production management.

- Experienced management team with entrepreneurship and market insights, dedicated to promoting plum culture through high-quality plum-based products.

## OUR GROWTH STRATEGIES

We will continue to pursue the following strategies which will drive further growth:

- Enrich our product offerings through continued R&D efforts.

- Enhance our brand recognition and solidify market leadership.

- Expanding our sales network, increasing consumer bases and exploring international markets.

- Optimizing our production capacity and supply chain.

## OUR BRAND AND PRODUCTS

Since the launch of our brand in 2001, we have established ourselves as a pioneer in fruit snacks and leader in plum-based products industry. We offer three major product categories, namely, our dried plum snacks, prune-based products and plum jelly. For each category, we have launched different series encompassing both products crafted with traditional methods and products of innovative flavors, continuously providing consumers with distinctive taste experience to satisfy their evolving preferences.

The following table sets forth certain key information of our main products by product category.

| Product Category | Product Description | Types of products | Shelf Life | Suggested Retail Price per Individual Package *(Minimum sales unit)* *(RMB per unit)* | Net Weight per Individual Package |
|---|---|---|---|---|---|
| Dried plum snacks | Green plums, Chinese plums (李梅), bayberries (楊梅) | 37 | 12–18 months | 4.9–11.8 | 60g–160g |
| Prune-based products | Prunes | 4 | 12 months | 4.9–19.9 | 60g–200g |
| Plum jelly | Jellies in various flavors | 30 | 9 months | 4.9–19.9 | 120g–400g |
| Others | Gummy, plum tea concentrate, plum-based seasoning products and other fruit-based products | 13 | / | / | / |

The following table sets forth the breakdown of the sales volume and average selling price per kg of our major product categories for the periods indicated:

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | | 2022 | 2023 | 2024 |
| Dried plum snacks | kilotons | 20.5 | 21.7 | 27.6 |
| | RMB/kg | 39.4 | 38.7 | 35.2 |
| Prune-based products | kilotons | 3.2 | 4.1 | 5.6 |
| | RMB/kg | 38.1 | 38.1 | 39.6 |
| Plum jelly | kilotons | 8.5 | 12.1 | 22.0 |
| | RMB/kg | 27.2 | 25.8 | 18.6 |

*Note:* the average selling price per kg is estimated through dividing the revenue of each product category by the sales volume.

## OUR SALES CHANNELS

Our management and development of sales channels are vital to our business operation and future growth, as our diversified sales network enables us to effectively penetrate regional markets and reach consumers with varying purchasing behaviors. The table below sets forth a breakdown of our revenue generated from direct sales and sales through distributors for the periods indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | *(RMB in thousands, except for percentages)* | | | | | |
| **Direct sales** | **299,674** | **25.5** | **440,328** | **33.3** | **956,953** | **59.2** |
| Online self-operated stores | 148,107 | 12.6 | 135,582 | 10.3 | 139,226 | 8.6 |
| Retailers | 151,567 | 12.9 | 304,746 | 23.0 | 817,727 | 50.6 |
| **Distributorship** | **874,372** | **74.5** | **881,714** | **66.7** | **659,065** | **40.8** |
| **Total** | **1,174,046** | **100.0** | **1,322,042** | **100.0** | **1,616,018** | **100.0** |

## RESEARCH AND DEVELOPMENT

As of December 31, 2024, we had 26 research and development (R&D) professionals, and many of whom have postgraduate degrees. Additionally, we attend campus recruiting events to hire graduating college students majoring in food engineering, food safety and nutrition, polymer chemistry and other fields from top Chinese universities, further expanding our R&D team. We also actively collaborate with researchers from top universities and research institutions, exploring the potential of plums in other untapped fields and contributing our industry knowhows to facilitate academic research of plums. Combining our strengths in both the product and equipment development, we are committed to offering high-quality products catering to ever-changing consumer preferences.

We continuously enhance our existing products by introducing innovative flavors and product categories fully unlocking their market potential and reinforcing consumer engagement. As an industry-leading enterprise that is committed to driving innovation and promoting sustainable development through our robust R&D capabilities, we also have engaged in various fundamental research of plums. in addition, to ensure the quality of our products and improve our production efficiency, we continuously update production techniques and renovate our equipment.

## OUR PRODUCTION

During the Track Record Period, our production plants mainly produced dried plum snacks, plum jelly and prune-based products. We also engage some third-party contractors, from time to time, primarily to ease the short-term pressure on our production facilities caused by the short shelf life of our raw materials and temporary production shortage during peak seasons. See "Business — Seasonality." We typically engaged contractors to facilitate only certain preliminary processing phases of the production, such as the pickling phase for our dried plum snacks.

We continue to refine and optimize our production process to ensure that our products consistently deliver exceptional taste to meet our consumers' evolving preferences. To ensure the high-quality finished products, we have implemented rigorous quality control mechanisms throughout the production processes, spanning from raw material inspection, pre-treatment and processing to product packaging and inspection. We also leverage our strong R&D capabilities and collaborations with industry-leading manufacturing equipment suppliers to enhance our production efficiency and the level of automation within our production lines.

## SUPPLY CHAIN MANAGEMENT

Our integrated supply chain spanning across raw material procurement, processing and production is key to our success. Our procurement team is mainly responsible for purchasing raw materials, seasoning and other auxiliary materials, packaging materials, equipment and accessories, office supplies, labor protection products and other supplies that are necessary for our production. The procurement team coordinates with our production team, preparing a procurement list based on the production team's plans, annual budgets and market price for raw materials. Meanwhile, the procurement team is also responsible for purchasing bulk raw materials and strategic stockpile that are necessary to our production, planning and purchasing fundamental raw materials based on its analysis of the market.

## OUR CUSTOMERS AND SUPPLIERS

Our major customers primarily comprise both direct sales customers and distributors. During the Track Record Period, revenue from our five largest customers in each year accounted for 12.7%, 14.2% and 33.1% of our total revenue for the respective year. During the Track Record Period, revenue from our largest customer in each year accounted for 4.6%, 3.4% and 14.1% of our total revenue for the respective year.

Our major suppliers primarily comprise raw material suppliers, production equipment suppliers, packaging material suppliers and manufacturing service providers. During the Track Record Period, purchase amount from our five largest suppliers in each year accounted for 18.0%, 16.9% and 14.5% of our total purchase amount for the respective year. During the Track Record Period, purchase amount from our largest supplier in each year accounted for 4.6%, 5.0% and 5.1% of our total purchase amount for the respective year.

## FOOD SAFETY AND QUALITY CONTROL

Food safety and product quality is our top priority. We have implemented a comprehensive quality management system that encompasses our entire supply chain, from raw material sourcing to product sales. Leveraging this end-to-end system, we are able to comply with both national regulations and international standards, meet and often exceed customer expectations, and safeguard consumer health.

Building on the requirements of ISO 22000 and HACCP, we identify and evaluate food safety risks in each stage of production. We establish critical control points, develop corresponding control measures and monitoring procedures, and have achieved the globally recognized FSSC 22000 certification in October 2024 to standardize food safety management across our supply chain. We have established a dedicated quality assurance center with specialized teams for quality planning, quality engineering and supplier management. The testing center has received CMA and CNAS certifications and produces authoritative testing reports that facilitate continuous improvement in our quality management practices.

## MARKETING AND PROMOTION

We place great emphasis on brand-building and adopt flexible and diversified marketing strategies to access our consumer base. Our marketing strategy is key to our brand development, combining innovative marketing vehicles and advertising campaigns that capture consumer attention to establish brand identity. Central to our strategy is to cultivate consumer mindshare, advocating for various consumption scenarios of plum-based food and encouraging consumers to incorporate our products into their daily diets. We also offer customized products and co-branding products to enhance our brand awareness. Positioning our brand as the ambassador of plum culture, we also adopt the culture-driven marketing strategy that educates consumers about the rich history and health benefits of plum-based food. Our multi-faceted marketing style provides an immersive experience to consumers, creating emotional connections with them, while enriching the cultural narratives of our brand. To retain our energetic and youthful brand image, we also collaborate with celebrities and KOLs who are popular among younger generations. Our marketing campaigns featuring our brand ambassadors had successfully caught consumers' attention, promoting our products.

## COMPETITIVE LANDSCAPE

According to Frost & Sullivan, the snack food industry in China is highly competitive. Snack food manufacturers are introducing various innovative products catering to health-conscious consumers. Several segments within the snack food industry present great market opportunities. According to Frost & Sullivan, the market size of the fruit snack industry in China by retail sales value increased from RMB37.8 billion in 2020 to RMB52.0 billion in 2024 at a CAGR of 8.3%, and is expected to further reach RMB78.0 billion in 2029, with a CAGR of 8.6%. On the other hand, sour-flavored products, particularly plum-based products, have been growing rapidly, primarily due to the evolving market demand for nutritious products. The market size of the plum-based products industry by retail sales value increased from RMB27.3 billion in 2020 to RMB49.9 billion in 2024, at a CAGR of 16.3%, and is expected to rise to RMB93.7 billion in 2029 at a CAGR of 13.2%. We believe our brand recognition, product development ability, sales channel management ability and production and quality control ability enable us to compete effectively against our competitors. According to Frost & Sullivan, in 2024 we ranked first in China's fruit snacks industry, with a market share of 4.9%. Meanwhile, we also ranked first in China's plum-based products industry with a market share of 7.0%, demonstrating our solid market leadership. See "Industry Overview."

## RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in "Risk Factors." You should read that section in its entirety carefully before you decide to invest in our H Shares. Some of the major risks we face include: (i) the success of our business relies on consumer demand for our products. Any changes in consumer tastes, preferences and spending habits or any unforeseen circumstances with a negative impact on consumer demand may materially and adversely affect our business and financial performance; (ii) our business depends on market recognition of our brand. Any negative publicity related to our brand, our products or our shareholders, directors, officers, employees and business partners will materially and adversely affect our reputation and results of operations; (iii) our production depends on a stable and adequate supply of raw materials, which are subject to price volatility, seasonality and other risks. If the supply of raw materials is unable to satisfy our production requirements, our results of operations and business prospects may be materially and adversely affected; (iv) our efforts to upgrade existing products, develop new products and promote new brands may not generate the results we expect to achieve; (v) the snack food industry in which we operate is highly competitive. Failure to stay competitive may materially and adversely affect our results of operations and business growth; (vi) any negative publicity related to the snack food industry, including the use of food additives, preservatives, flavor enhancers and food colorant in production, whether substantiated or not, may materially and adversely affect our reputation and results of operations; and (vii) food safety and quality are critical to the success of our business. Any failure to maintain food safety and quality could materially and adversely affect our reputation and subject us to regulatory scrutiny.

## SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary historical financial information for the periods or as of the dates indicated. This summary has been derived from our historical financial information set forth in the Accountants' Report in Appendix I to this document. The summary historical financial data set forth below should be read together with, and is qualified in its entirety by reference to, the historical financial information included in the Accountants' Report in Appendix I to this document, including the accompanying notes, and the information set forth in "Financial Information." Our historical financial information was prepared in accordance with IFRS Accounting Standards.

### Principal Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets out the principal components of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | |
| Revenue | 1,174,046 | 1,322,042 | 1,616,018 |
| Cost of sales | (720,880) | (792,331) | (1,033,553) |
| **Gross profit** | **453,166** | **529,711** | **582,465** |
| Other income and gains | 25,082 | 27,962 | 39,572 |
| Selling and distribution expenses | (282,712) | (309,395) | (310,170) |
| Administrative expenses | (82,373) | (88,691) | (100,180) |
| Research and development expenses | (23,677) | (33,612) | (18,948) |
| Finance costs | (10,665) | (7,966) | (7,773) |
| Fair value loss on financial liabilities at fair value through profit or loss ("**FVTPL**") | (511) | (6,026) | (1,625) |
| Impairment loss on trade receivables and other receivables, net | (890) | (719) | (2,143) |
| Other expenses | (262) | (661) | (791) |
| **Profit before tax** | **77,158** | **110,603** | **180,407** |
| Income tax expense | (8,726) | (11,372) | (32,688) |
| **Profit and total comprehensive income for the year** | **68,432** | **99,231** | **147,719** |
| **Attributable to:** | | | |
| Owners of the Company | 68,432 | 99,231 | 147,719 |

***Revenue***

We derive our revenue primarily from sales of dried plum snacks, prune products and plum jelly. The following table sets forth a breakdown of our revenue by product category for the periods indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(RMB in thousands, except for percentages)* | | | | | |
| Dried plum snacks | 808,414 | 68.9 | 838,110 | 63.4 | 973,531 | 60.3 |
| Prune-based products | 121,838 | 10.4 | 155,985 | 11.8 | 223,561 | 13.8 |
| Plum jelly | 230,295 | 19.6 | 311,069 | 23.5 | 410,358 | 25.4 |
| Others[(1)] | 13,499 | 1.1 | 16,878 | 1.3 | 8,568 | 0.5 |
| **Total** | **1,174,046** | **100.0** | **1,322,042** | **100.0** | **1,616,018** | **100.0** |

*Note:*

(1) Others mainly represent plum-based seasoning products, plum tea concentrate and other fruit-based products.

### *Gross Profit and Gross Margin*

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the years indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *Gross profit* | *Gross profit margin (%)* | *Gross profit* | *Gross profit margin (%)* | *Gross profit* | *Gross profit margin (%)* |
| | *(RMB in thousands, except percentages)* | | | | | |
| Dried plum snacks | 320,532 | 39.6 | 316,378 | 37.7 | 312,639 | 32.1 |
| Prune-based products | 44,693 | 36.7 | 54,733 | 35.1 | 72,332 | 32.4 |
| Plum jelly | 83,294 | 36.2 | 153,030 | 49.2 | 196,107 | 47.8 |
| Others | 4,647 | 34.4 | 5,570 | 33.0 | 1,387 | 16.2 |
| **Total** | **453,166** | **38.6** | **529,711** | **40.1** | **582,465** | **36.0** |

### Principal Components of Our Consolidated Statements of Financial Position

The following table sets forth the principal components of our consolidated statements of financial position as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | |
| Non-current assets | 677,952 | 715,636 | 734,862 |
| Current assets | 631,166 | 679,026 | 936,105 |
| **Total assets** | **1,309,118** | **1,394,662** | **1,670,967** |
| Non-current liabilities | 4,864 | 211,144 | 3,731 |
| Current liabilities | 1,138,357 | 918,053 | 1,049,288 |
| **Total liabilities** | **1,143,221** | **1,129,197** | **1,053,019** |
| **Net Current Liabilities** | **(507,191)** | **(239,027)** | **(113,183)** |
| **Net assets** | **165,897** | **265,465** | **617,948** |
| **Total equity** | **165,897** | **265,465** | **617,948** |

Our net current liabilities decreased from RMB239.0 million as of December 31, 2023 to RMB113.2 million as of December 31, 2024, primarily due to (i) an increase in inventories, (ii) a decrease in financial liabilities at FVTPL and (iii) an increase in trade and bills receivables, partially offset by (i) an increase in trade and bills payables and (ii) an increase in interest-bearing bank borrowings.

Our net current liabilities decreased from RMB507.2 million as of December 31, 2022 to RMB239.0 million as of December 31, 2023, primarily due to (i) a decrease in financial liabilities at FVTPL, (ii) an increase in inventories and (iii) a decrease in interest-bearing bank borrowings, partially offset by an increase in other payables and accruals.

**Summary of Our Consolidated Statements of Cash Flows**

The table below sets forth selected cash flow statement information from our consolidated statements of cash flows for the years indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *(RMB in thousands)* | | |
| Net cash flows from operating activities | 202,298 | 126,903 | 84,374 |
| Net cash flows used in investing activities | (94,742) | (80,634) | (110,117) |
| Net cash flows (used in)/from financing activities | (84,728) | (53,328) | 36,398 |
| **Net increase/(decrease) in cash and cash equivalents** | **22,828** | **(7,059)** | **10,655** |
| Cash and cash equivalents at beginning of the year | 51,623 | 74,451 | 67,392 |
| **Cash and cash equivalents at end of the year** | **74,451** | **67,392** | **78,047** |

## KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for the years/periods indicated:

| | As of/Year ended December 31, | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *(%)* | | |
| Gross profit margin | 38.6 | 40.1 | 36.0 |
| Current ratio(1) | 55.4 | 74.0 | 89.2 |
| Quick ratio(2) | 23.6 | 27.6 | 39.3 |
| Gearing ratio(3) | 134.9 | 67.9 | 52.0 |

*Note:*

(1) Current ratio is calculated based on current assets divided by current liabilities and multiplied by 100%.

(2) Quick ratio is calculated based on current assets less inventories divided by current liabilities and multiplied by 100%.

(3) Gearing ratio is calculated based on interest-bearing bank borrowings divided by total equity and multiplied by 100%.

## [REDACTED] STATISTICS

All statistics in this table are based on the assumption that the [REDACTED] is not exercised.

| | **Based on an [REDACTED] of HK$[REDACTED] per H Share** | **Based on an [REDACTED] of HK$[REDACTED] per H Share** |
|---|---|---|
| [REDACTED] of the H Shares[(1)] | HK$[REDACTED] million | HK$[REDACTED] million |
| [REDACTED] of the Shares[(2)] | HK$[REDACTED] million | HK$[REDACTED] million |
| [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of [December 31, 2024] per Share[(3)] | HK$[REDACTED] million | HK$[REDACTED] million |

*Notes:*

(1) The calculation of market capitalization is based on the assumption that [REDACTED] H Shares will be in issue immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) and that [REDACTED] Unlisted Shares that will be converted into H Shares upon the completion of the [REDACTED].

(2) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately after completion of the [REDACTED].

(3) The [REDACTED] adjusted consolidated net tangible assets per Share in the above table is calculated after the adjustments referred to in the section headed "[REDACTED] Statement of Adjusted Consolidated Net Tangible Assets of the Group Attributable to Owners of the Company" set out in "Appendix II — [REDACTED] Financial Information" to this document and on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised.

## FUTURE PLANS AND USE OF [REDACTED]

Assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] Range of between HK$[REDACTED] and HK$[REDACTED] per [REDACTED]), we estimate that we will receive [REDACTED] of approximately HK$[REDACTED] [REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] [REDACTED], will be used to expand our production capacity for dried plum snacks, plum jelly and product ingredients over the next three years.

- Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] [REDACTED], will be used to enhance our brand recognition, expand our sales network and explore international markets over the next year.

- Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] [REDACTED], will be used to recruit R&D personnel and advance our R&D initiatives.

- Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] [REDACTED], will be used for working capital and general corporate purposes.

## PRE-[REDACTED] INVESTMENTS

Our Company engaged in four rounds of Pre-[REDACTED] Investments from 2015 to 2025. For further details of the identities and background of the Pre-[REDACTED] Investors and the principal terms of the Pre-[REDACTED] Investment, see "History, Development and Corporate Structure — Pre-[REDACTED] Investments."

## PREVIOUS APPLICATION FOR LISTING ON THE SHENZHEN STOCK EXCHANGE

Our Company submitted an application for listing of our Shares on the Shenzhen Stock Exchange on June 17, 2019 (the "A-Share Listing Application"). In response to the market environment at the time, our Company decided to withdraw its A-Share Listing Application on December 8, 2019. The A-Share Listing Application had not been returned or rejected by the CSRC and remained valid prior to our withdrawal. During the process of the A-Share Listing Application, save for the reason as disclosed above, we did not encounter any material difficulties or legal impediments which led us to withdraw the A-Share Listing Application. For further details, see "History, Development and Corporate Structure — Previous application for listing on the Shenzhen Stock Exchange."

## OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Yang, Ms. Li (who is Mr. Yang's spouse), Jurun Investment, Kaixuan Star and Kailai Star will directly own approximately [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]% of the total issued share capital of our Company. Mr. Yang, Ms. Li, Jurun Investment, Kaixuan Star, Kailai Star and Liuliu Star are a group of Controlling Shareholders upon the [REDACTED]. See "Relationship with our Controlling Shareholders" for details.

## DIVIDEND POLICY

No dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any dividend policy or fixed dividend pay-out ratio. We may distribute dividends by way of cash or by other means that our Board considers appropriate. Distribution of dividends is subject to the discretion of our Board and, if necessary, the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

## [REDACTED]

[REDACTED] consist of professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] of approximately HK$[REDACTED] million (based on the mid-point of the indicative [REDACTED] range and assuming the [REDACTED] is not exercised), which accounts for approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. We estimate the [REDACTED] to consist of approximately HK$[REDACTED] million in [REDACTED] fees and HK$[REDACTED] million in [REDACTED] fees. Among of the total [REDACTED], approximately HK$[REDACTED] million will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the [REDACTED], and the remaining HK$[REDACTED] million will be expensed in our consolidated statements of comprehensive income. Our Directors do not expect such expenses to materially impact our results of operations in 2025.

## RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the date of our latest audited financial statements, and there has been no event since December 31, 2024 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

# DEFINITIONS

*In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below. Certain other terms are explained in "Glossary of Technical Terms" in this document.*

| | |
|---|---|
| "AFRC" | the Accounting and Financial Reporting Council of Hong Kong |
| "Anhui Green Plum" | Qingmei Town Development Co., Ltd.* (青梅小鎮發展有限公司), a company established in the PRC with limited liability on December 29, 2016 and one of our direct wholly-owned subsidiaries |
| "Anhui Liuliu" | Anhui Liuliu Orchard Ecommerce Co., Ltd.* (安徽溜溜果園電子商務有限公司), a company established in the PRC with limited liability on April 18, 1999 and one of our direct wholly-owned subsidiaries |
| "Anhui LIUM" | Anhui Liuliumei Agricultural Technology Co., Ltd.* (安徽溜溜梅農業科技有限公司), a company established in the PRC with limited liability on March 11, 2015 and one of our direct wholly-owned subsidiaries |
| "Articles of Association" or "Articles" | the articles of associations of our Company, as amended from time to time, which shall become effective on the [REDACTED], a summary of which is set out in Appendix V to this document |
| "Audit Committee" | the audit committee of the Board |
| "Beijing Sequoia" | Beijing Sequoia Xinyuan Equity Investment Centre (Limited Partnership)* (北京紅杉信遠股權投資中心(有限合夥)), a limited partnership established in the PRC on June 14, 2012 |
| "Board" or "Board of Directors" | the board of directors of our Company |
| "business day(s)" | any day(s) (other than Saturday(s), Sunday(s) or public holiday(s) in Hong Kong) on which licensed banks in Hong Kong are generally open for general banking business throughout their normal business hours |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |

| | |
|---|---|
| "China" or "PRC" | the People's Republic of China and, except where the context otherwise requires and only for the purpose of this document, references in this document to China or the PRC exclude Hong Kong, the Macao Special Administrative Region and Taiwan Region |
| "Chinese government" or "PRC government" | the central people's government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them |
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time |
| "Company" or "our Company" | Liuliu Orchard Group Co., Ltd. (溜溜果園集團股份有限公司) (formerly known as 溜溜果園集團有限公司，安徽溜溜果園集團有限公司，安徽溜溜果園科技有限公司，安徽凱旋農業科技有限公司) a company established in the PRC with limited liability on September 4, 2009 and subsequently converted into a joint stock company with limited liability on April 21, 2016 |
| "Controlling Shareholder(s)" | has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Yang, Ms. Li, Jurun Investment, Kaixuan Star, Kailai Star and Liuliu Star |
| "Corporate Governance Code" or "CG Code" | the Corporate Governance Code as set out in Appendix C1 to the Listing Rules |
| "CSRC" | the China Securities Regulatory Commission (中國證券監督管理委員會) |
| [REDACTED] | [REDACTED] |
| "Director(s)" | the director(s) of our Company |
| "Domestic Share(s)" or "Domestic Unlisted Share(s)" | ordinary share in our capital, with a nominal value of RMB1.0 each, which are subscribed for and paid up in Renminbi, which are not listed on any stock exchange |
| "EIT" | the PRC enterprise income tax |

| | |
|---|---|
| "EIT Law" | the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time |
| "Extreme Conditions" | the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below |
| [REDACTED] | [REDACTED] |
| "Fujian Green Plum" | Fujian Qingmei Town Co., Ltd.* (福建青梅小鎮有限公司), a company established in the PRC with limited liability on September 26, 2016 and one of our direct wholly-owned subsidiaries |
| "Fujian Liuliu" | Fujian Liuliu Orchard Food Co., Ltd.* (福建溜溜果園食品有限公司), a company established in the PRC with limited liability on May 25, 2009 and one of our direct wholly-owned subsidiaries |
| "Fujian LIUM" | Fujian Liuliumei Agricultural Technology Co., Ltd.* (福建溜溜梅農業科技有限公司), a company established in the PRC with limited liability on December 17, 2014 and one of our direct wholly-owned subsidiaries |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| "Group", "our Group", "we", "us", or "our" | our Company and our subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it |
| "Guangxi Liuliu" | Guangxi Liuliu Orchard Industrial Park Co., Ltd.* (廣西溜溜果園產業園有限公司), a company established in the PRC with limited liability on April 22, 2019 and one of our direct wholly-owned subsidiaries |

| | |
|---|---|
| "Guangxi LIUM" | Guangxi Liuliumei Agricultural Technology Co., Ltd.* (廣西溜溜梅農業科技有限公司), a company established in the PRC with limited liability on June 5, 2020 and one of our direct wholly-owned subsidiaries |
| "Guide" | the Guide for New Listing Applicants published by the Stock Exchange |
| [REDACTED] | [REDACTED] |
| "H Share(s)" | ordinary share(s) in the share capital of our Company with nominal value of RMB1.0 each, which are to be [REDACTED] for and [REDACTED] in Hong Kong dollars and are to be [REDACTED] on the [REDACTED] |
| "HK$" or "Hong Kong dollars" or "HK dollars" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the People's Republic of China |

| | |
|---|---|
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| "Huaan Fund" | Wuhu Hua'an Zhanxin Equity Investment Fund Partnership (Limited Partnership)* (蕪湖華安戰新股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on July 29, 2023 |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| "Independent Third Party(ies)" | an individual(s) or a company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is/are not a connected person of our Company |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |

# DEFINITIONS

| | |
|---|---|
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| "Joint Sponsors" | CITIC Securities (Hong Kong) Limited and Guoyuan Capital (Hong Kong) Limited |
| "Jurun Investment" | Anhui Jurun Investment Company Limited* (安徽聚潤投資有限公司), a company established in the PRC with limited liability on January 6, 2015 and one of our Controlling Shareholders |
| "Kailai Star" | Wuhu Kailai Star Investment Partnership Enterprise (Limited Partnership)* (蕪湖凱萊之星投資合夥企業(有限合夥)), a limited partnership established in the PRC with limited liability on June 18, 2015 and one of our Controlling Shareholders |
| "Kaixuan Star" | Wuhu Kaixuan Star Investment Partnership Enterprise (Limited Partnership)* (蕪湖凱旋之星投資合夥企業(有限合夥)), a limited partnership established in the PRC with limited liability on June 18, 2015 and one of our Controlling Shareholders |
| "Latest Practicable Date" | April 9, 2025 being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |

# DEFINITIONS

| | |
|---|---|
| [REDACTED] | [REDACTED] |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |
| "Liuliu Research Institute" | Anhui Liuliu Plum Research Institute Co., Ltd.* (安徽溜溜梅研究院有限公司), a company established in the PRC with limited liability on November 28, 2016 and one of our direct wholly-owned subsidiaries |
| "Liuliu New Retail" | Anhui Liuliu Orchard New Retail Marketing Co., Ltd.* (安徽溜溜果園新零售營銷有限公司), a company established in the PRC with limited liability on August 23, 2018 and one of our direct wholly-owned subsidiaries |
| "Liuliu Sales" | Anhui Liuliu Orchard Sales Co., Ltd.* (安徽溜溜果園銷售有限公司), a company established in the PRC with limited liability on July 2, 2018 and one of our direct wholly-owned subsidiaries |
| "Liuliu Star" | Wuhu Liuliu Star Enterprise Management Partnership (Limited Partnership)* (蕪湖溜溜之星企業管理合夥企業(有限合夥)), a limited partnership established in the PRC with limited liability on January 20, 2025 and one of our Controlling Shareholders |
| "LIUM Biotech" | Anhui Liuliumei Biotechnology Co., Ltd.* (安徽溜溜梅生物科技有限公司), a company established in the PRC with limited liability on May 16, 2024 and one of our direct wholly-owned subsidiaries |
| "Main Board" | the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange |
| "MOF" | the Ministry of Finance of the PRC (中華人民共和國財政部) |
| "MOFCOM" | the Ministry of Commerce of the PRC (中華人民共和國商務部) |
| "Mr. Yang" | Mr. Yang Fan (楊帆), spouse of Ms. Li, one of our Controlling Shareholders, our executive Director, chairman of the Board and chief executive officer |
| "Ms. Li" | Ms. Li Huimin (李慧敏), spouse of Mr. Yang, one of our Controlling Shareholders |
| "Nomination Committee" | the nomination committee of our Board |

# DEFINITIONS

| | |
|---|---|
| "NPC" or "National People's Congress" | the National People's Congress of the PRC (中華人民共和國全國人民代表大會) |
| "NPC Standing Committee" | the Standing Committee of National People's Congress (全國人民代表大會常務委員會) |
| "Nuoxiang Dongchen" | Changsha Nuoxiang Dongchen Equity Investment Partnership Enterprise (Limited Partnership)* (長沙諾享東辰股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on October 13, 2020 |
| "Nuoxiang Jinhong" | Changsha Nuoxiang Jinhong Equity Investment Partnership Enterprise (Limited Partnership)* (長沙諾享瑾鴻股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 25, 2020 |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| "PBOC" | the People's Bank of China (中國人民銀行), the central bank of the PRC |

| | |
|---|---|
| "Plum Jelly Tech" | Wuhu Plum Jelly Natural Food Technology Co., Ltd.* (蕪湖梅凍天然食品科技有限公司), a company established in the PRC with limited liability on February 24, 2022 and one of our direct wholly-owned subsidiaries |
| "PRC Company Law" or "Company Law" | the Company Law of the PRC《中華人民共和國公司法》, as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time |
| "PRC Legal Advisors" | AllBright Law Offices, legal Advisors to our Company as to PRC Law |
| "Pre-[REDACTED] Investment(s)" | the investment(s) in our Company undertaken by the Pre-[REDACTED] Investors, as set out in "History, Development and Corporate Structure — Pre-[REDACTED] Investments" |
| "Pre-[REDACTED] Investors" | our pre-[REDACTED] investors in relation to Pre-[REDACTED] Investments received by our Group. For details, see "History, Development and Corporate Structure — Pre-[REDACTED] Investments" |
| [REDACTED] | [REDACTED] |
| "Pre-[REDACTED] Share Incentive Plan" | the share incentive plan adopted by our Company on January 15, 2025, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — D. Pre-[REDACTED] Share Incentive Plan" |
| "document" | this document being issued in connection with the [REDACTED] |
| "Regulation S" | Regulation S under the U.S. Securities Act |
| "Remuneration and Appraisal Committee" | the remuneration and appraisal committee of our Board |
| "RMB" or "Renminbi" | Renminbi, the lawful currency of the PRC |
| "SAFE" | the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局) |
| "SAMR" | the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) |
| "SFC" | the Securities and Futures Commission of Hong Kong |

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| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and modified from time to time |
| "Share(s)" | ordinary share(s) with nominal value RMB1.0 each in the share capital of our Company, comprising Domestic Shares and H Shares |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Shenzhen Junrong" | Shenzhen Junrong Partnership (Limited Partnership)* (深圳君榮實業合夥企業(有限合夥)), a limited partnership established in the PRC on September 8, 2015 |
| "State Council" | the State Council of the PRC (中華人民共和國國務院) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Supervisor(s)" | member(s) of our Supervisory Committee |
| "Supervisory Committee" | the supervisory committee of our Company |
| "Takeovers Code" | The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time |
| "Track Record Period" | the periods comprising the financial years ended December 31, 2022, 2023 and 2024 |
| "United States" or "U.S." | the United States of America |
| "U.S. dollars", "US$"or "USD" | United States dollars, the lawful currency of the United States |
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| "U.S. Securities Act" | the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder |

# DEFINITIONS

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|---|---|
| [REDACTED] | [REDACTED] |
| [REDACTED] | [REDACTED] |
| "Xingnong Fund" | Wuhu Fanchang District Xingnong Industrial Investment Fund Co., Ltd.* (蕪湖市繁昌區興農產業投資基金有限公司), a company established in the PRC with limited liability on December 21, 2021 |
| "Zhaoan Liuliu" | Zhaoan Liuliu Orchard Food Co., Ltd.* (詔安溜溜果園食品有限公司), a company established in the PRC with limited liability on September 27, 2010 and one of our direct wholly-owned subsidiaries |
| "Zhongnongan Testing" | Anhui Zhongnongan Inspection and Testing Center Co., Ltd.* (安徽中農安檢驗檢測中心有限公司), a company established in the PRC with limited liability on December 26, 2016 and one of our indirect wholly-owned subsidiaries |

*Unless otherwise expressly stated or the content otherwise requires, in this document:*

- *all times refer to Hong Kong time and references to years in this document are to calendar years;*
- *the terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings ascribed to such terms in the Listing Rules; and*
- *certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of figures preceding them.*

# GLOSSARY OF TECHNICAL TERMS

*This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

| | |
|---|---|
| "Aseptic filling technology" | a manufacturing process where a sterile product is transferred into pre-sterilized containers within a sterile environment to prevent contamination |
| "CAGR" | compound annual growth rate |
| "$CO_2e$" | carbon dioxide equivalent |
| "CRM" | customer relationship management system |
| "Double Eleven" | an annual online sales event in China on November 11 |
| "e-commerce platform(s)" | platform(s) where consumers purchase products and make payments to sellers electronically, such as Tmall and JD.com |
| "ERP system" | enterprise resource planning system |
| "GHG" | greenhouse gas, a gas that absorbs and emits radiant energy within the thermal infrared range, causing the greenhouse effect |
| "HACCP" | Hazard Analysis Critical Control Points, a food safety risk management system which focuses on identifying and controlling food safety hazards |
| "ISO" | the International Organization for Standardization, a worldwide federation of national standards bodies |
| "ISO 22000" | food safety management system requirements published by ISO |
| "IT" | information technology |
| "KA customers" | key accounts customer groups of the Company, primarily consisting of chain snack stores, national and regional supermarkets, well-known online retailers and chain convenience stores |
| "kg" | kilogram |
| "KOL(s)" | key opinion leader(s) |
| "kWh" | kilowatt-hour, a unit of measure of electric energy |

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|---|---|
| "OA system" | office automation system |
| "OEM" | original equipment manufacturing, where a manufacturer manufactures a product in accordance with the customer's design and specifications and is marketed and sold under the customer's brand name or under no specific brand |
| "PE" | polyethylene |
| "R&D" | research and development |
| "SKU" | acronym for minimum stock keeping unit, a unique identifier for each distinct product and service that can be purchased |
| "sq.m." | square meter(s) |
| "ton" or "tons" | metric ton or metric tons, 1,000 kilograms equals to 1 ton |
| "618 Shopping Festival" | an annual online sales event in China on June 18 |
| "%" | percent |

# FORWARD-LOOKING STATEMENTS

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

- our operations and business prospects;
- our ability to maintain and enhance our market positions;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- our ability to identify and integrate suitable acquisition targets;
- general economic and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- risks identified under "Risk Factors" in this document;
- certain statements in "Business" and "Financial Information" in this document with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and

- other statements in this document that are not historical facts.

We do not guarantee that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in "Risk Factors" in this document. You should read this document in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this document relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks or uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

*In addition to other information in this document, you should carefully consider the following risk factors before making any [REDACTED] decision in relation to our H Shares. Any of the following risks may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the [REDACTED] of our H Shares and cause you to lose part or all of the value of your [REDACTED] in our H Shares. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.*

## RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**The success of our business relies on consumer demand for our products. Any changes in consumer tastes, preferences and spending habits or any unforeseen circumstances with a negative impact on consumer demand may materially and adversely affect our business and financial performance.**

Consumer demand for fruit snacks and plum-based products is critical to our business operations, but it is unpredictable and evolves constantly. Demand is influenced by various factors such as spending power, consumption patterns, social media trends, as well as public perception of plum-based products industry or the general snack food industry. Our business development depends partially on our ability to proactively anticipate and identify market trends, continuously upgrade our existing products and launch new offerings in a timely and cost-effective manner to meet evolving consumer preferences.

We are committed to continuously enhancing our product portfolio through rigorous market analysis. Despite these efforts, our products may fail to capture shifting market trends. Any changes in consumer preferences and tastes, or our failure to anticipate, identify or adapt to market trends, may impose pressure on our sales and the pricing of our product, and may lead to increases in selling and distribution expenses.

Moreover, the rapid changes in consumer preferences require us to invest resources in product development and market research. Notwithstanding our investment, we cannot assure you that our upgraded products or newly launched offerings will align with market trends or meet consumer expectations. Any failure to do so may materially and adversely affect our business, financial condition and results of operations.

**Our business depends on market recognition of our brand. Any negative publicity related to our brand, our products or our shareholders, directors, officers, employees and business partners will materially and adversely affect our reputation and results of operations.**

Since the launch in 2001, our brand has become synonymous with plum-based products, known for the high-quality products and unique flavors that differentiate us from our competitors. Therefore, maintaining and enhancing brand image is crucial to sustaining consumer interest in our current offerings and ensuring our competitiveness in the broader snack food market. Any complaints, claims or negative media coverage relating to our brand, our products or our shareholders, directors, officers, employees and business partners may impair the goodwill of our brand, even if such claims are meritless. Moreover, any negative publicity relating to our brand may not only affect the market acceptance of our existing products but could also disrupt our product development plans, causing material and adverse effects to our reputation and results of operations.

The growing use of social and digital media by us, our consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. In addition, our marketing campaigns featuring celebrities and KOLs are inherently risky and may fail to deliver satisfactory outcomes. Despite our previous successful campaigns featuring our brand ambassadors, we may not always select a spokesperson who suits our brand values or effectively appeals to our target consumers, which could limit the impact of our campaigns. Any negative publicity involving our selected celebrities and KOLs, such as scandals or inappropriate behavior, could tarnish our brand image due to our brand's associations with them. Despite our efforts to implement rigorous selection criteria, we have limited control over the conduct of these celebrities or KOLs. Additionally, we make significant investments in these marketing campaigns, and there is no assurance that they will generate the expected market responses or lead to satisfactory sales performance. If these campaigns fail to resonate with our target audience, we may incur substantial financial losses. We are also susceptible to the risk of industry-wide restrictions on the use of celebrities and KOLs in marketing campaigns. Such regulations could limit our ability to effectively leverage endorsements, further impacting our marketing efforts and sales outcomes.

**Our production depends on a stable and adequate supply of raw materials, which are subject to price volatility, seasonality and other risks. If the supply of raw materials is unable to satisfy our production requirements, our results of operations and business prospects may be materially and adversely affected.**

Our raw materials primarily include plums, prunes, fresh fruits and konjac, among others. Seasoning and other auxiliary materials such as salt and sugar are also used in our production. In 2022, 2023 and 2024, our raw material costs amounted to RMB489.4 million, RMB575.5 million and RMB771.4 million, respectively, accounting for 41.7%, 43.5% and 47.7%, respectively, of total revenue over the same periods. As a result, if we are unable to procure the necessary raw materials in sufficient quantities at competitive prices, our production efficiency and profit margins may be materially and adversely affected.

The costs of the raw materials are subject to price volatility caused by a variety of factors, including shifts in supply and demand, fluctuations in commodity prices, rising logistics and warehousing costs, our bargaining position with suppliers, as well as macroeconomic condition and catastrophic events. See "— Natural disasters, extreme weather conditions, pandemics and other catastrophic events beyond our control may disrupt our supply chain, causing material and adverse impact on our business operation." There is no assurance that our raw material costs will not increase significantly in the future, and we cannot assure you that all or part of any such increased costs can be passed to our customers in a timely manner or at all.

**Our efforts to upgrade existing products, develop new products and promote new brands may not generate the results we expect to achieve.**

We constantly upgrade our existing products and launching new ones to maintain our competitiveness and meet evolving consumer preferences. In 2022, 2023 and 2024, we incurred research and development expenses of RMB23.7 million, RMB33.6 million and RMB18.9 million, respectively, demonstrating our commitment to continuously expanding the product portfolio. We upgrade our existing offerings by combining classic products with special or innovative flavors to meet consumers' preferences for complex flavors. We have also introduced innovative plum-based products such as plum jelly and plum gummy to expand our market reach.

However, we cannot assure you that such efforts will always be successful. The process of upgrading existing products or innovating new ones is inherently risky, and there is no guarantee that our R&D efforts will always deliver satisfactory outcomes. Furthermore, the commercialization of new products depends on multiple factors which may be beyond our control, including industry trends, market demand, production efficiency, competition and consumer acceptance.

Additionally, we may attempt to launch new sub-brands under "Liuliumei", and such attempt is subject to risks relating to incorrect judgments regarding consumer preferences, market demand and brand image and pricing. Any delays in launching new products or sub-brands can lead to missed market opportunities or diminish the appeal of our innovations. Failure to expand our product and brand portfolio may lead to decreased sales volumes and profitability, loss of market shares and reliance on existing products, which, in turn, could adversely affect our brand reputation and results of operations.

**The snack food industry in which we operate is highly competitive. Failure to stay competitive may materially and adversely affect our results of operations and business growth.**

The snack food industry is highly competitive. Although we are the leader in the fruit snack and jelly segments of this industry, we face competition from national and local snack food companies that are seeking to expand into this market. Many of these competitors, particularly those established snack food manufacturers, have already built strong brand recognition and a robust consumer base across other snack categories. With their R&D capabilities and financial resources, they are able to capture market trends and develop comparable or even superior products. If they successfully enter the segments in which we operate with products that meet consumers' preferences, they may divert a significant portion of our existing consumers, which could negatively affect our market shares and sales.

In addition, while we currently benefit from product quality and pricing advantages due to our integrated supply chain and efficient production, our competitors may be able to source high-quality plums and other raw materials at competitive prices. Specifically, they could establish strong connections with local suppliers or leverage their economies of scale to negotiate more favorable terms, thereby intensifying price competition within the industry. This heightened price competition may pressure us to lower our retail prices to retain our consumers and attract new ones, which could affect our profit margins and financial performance. These competitors with localized supply chains may also minimize logistics costs, enabling them to further lower the prices.

Moreover, our competitors may heavily invest in advertising and promotional activities to enhance their brand visibility. This aggressive marketing approach could challenge our brand recognition and force us to increase our own advertising spending to defend our market position. As a result, we may need to devote significant resources to sales and marketing efforts, which may increase our operational costs and place additional strain on our business growth.

**Any negative publicity related to the snack food industry, including the use of food additives, preservatives, flavor enhancers and food colorant in production, whether substantiated or not, may materially and adversely affect our reputation and results of operations.**

Any negative publicity surrounding the entire snack food industry, even if it is not directly related to our brand or products, may adversely affect the market acceptance of our products and business operation. The growing use of social and digital media by us, our consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Media coverage or the public perception regarding the use of additives, preservatives flavor enhancers and food colorant in snack foods may reinforce the stereotype that snack foods are unhealthy, diverting consumers who are pivoting to healthier lifestyles. Additionally, social media and e-commerce platforms play a pivotal role in shaping consumer perceptions, which may result in the stereotypical views that portray any snacks, including the ones that we produce, as unhealthy. Such negative perceptions could further divert potential buyers and restrict our market reach.

Although we have made significant efforts to promote our brand and products as snacks catering to health-conscious consumers, there is no guarantee that our efforts will succeed in reshaping consumers' perception. If we are unable to effectively differentiate our products from other snack foods and align with changing consumer trends toward health-conscious consumption, we may experience a decline in sales volume and a loss in business opportunities.

**Food safety and quality are critical to the success of our business. Any failure to maintain food safety and quality could materially and adversely affect our reputation and subject us to regulatory scrutiny.**

Food safety and product quality are critical to our reputation and success. Maintaining consistent product quality and food safety relies on the effectiveness of our quality control systems, which may be influenced by a number of factors, such as the design of our quality control systems and our ability to ensure that our employees and third parties comply with those quality control policies and guidelines. We cannot assure you that our quality control systems would be effective at all times, or that we can identify any defects in our systems in a timely manner. Issues such as improper production, processing, delivery and warehousing, neglect in implementing proper product validation, substandard raw materials, or other unforeseen events can compromise product quality and raise food safety concerns. These issues can lead to legal proceedings and regulatory scrutiny, which are often costly and time-consuming. Other than these immediate effects, such incidents can cause long-lasting damage to our brand reputation, eroding consumer trust and affecting our business, financial condition and results of operations in the long term.

In cases where quality issues arise from suppliers, we may need to negotiate or initiate litigation against them to recover losses from substandard raw materials. These disputes can be expensive and divert resources from our core operations, negatively affecting our profitability. Moreover, compensation clauses in supplier contracts may not fully cover our financial losses, and even if litigation is resolved in our favor, enforcing judgments may not adequately compensate us for the damages incurred.

**The production of certain of our products relies on advanced food processing equipment and technologies of our overseas partners, and any failure to maintain our relationships with them may materially and adversely affect our business operations.**

We continually maintain and upgrade the existing production equipment and facilities, introduce new production equipment and facilities, and improve production techniques. We cannot assure you that such investments, maintenance and upgrades can be carried out successfully, or generate positive cash flows or profitable returns within a short period of time, or at all. See "— Our future success and business expansion depend on our production capabilities. If we fail to maintain or upgrade our production equipment, facilities, technologies and other operational aspects, or if we fail to successfully implement production expansion plans, our production efficiency and business growth may be negatively impacted."

In particular, we cooperate with several overseas partners for our production of certain products. For example, our plum jelly factory collaborates strategically with our Japanese equipment supplier, Orihiro, whose proprietary aseptic filling technology significantly extends the shelf life of plum jelly without the need for preservatives, differentiating our products from the traditional jelly. However, we may not be able to maintain our relationship with Orihiro or other overseas food processing equipment suppliers due to various reasons, such as disputes over contractual terms, our failure to maintain the purchase volumes stipulated in the agreements, or general geopolitical and economic circumstances. If these partnerships were to terminate, our production capabilities could be negatively impacted, as our R&D efforts may not be able to fully replicate or replace the advanced technologies provided by these partners.

On the other hand, our competitors may establish similar collaborations or develop comparable production techniques, further eroding our competitive advantage in production. As a result, any failure to maintain these key partnerships or find alternative solutions could cause material and adverse impact on our production efficiency, product development and market position, which may in turn adversely affect our business, financial condition and results of operations.

**Our diversified direct sales network is crucial to our success. Any inability to maintain, expand or optimize our direct sales network may cause material and adverse effects to our business operation and future growth.**

We develop a diversified direct sales network that spans both online and offline channels. Revenue contributed by our direct sales customers accounted for 25.5%, 33.3% and 59.2% of our total revenue in 2022, 2023 and 2024, respectively. Specifically, we have established close relationships with various emerging retail channels, such as membership stores and snack stores. To strengthen our relationships with them, we offer customized products for some of these customers. However, if we are unable to consistently maintain our relationships with these customers or fail to attract their consumer bases, or if there are changes in the industries where our direct sales customers, particularly snack stores, operate, or if the operational conditions of our major customers deteriorate, we may incur significant costs while failing to enhance our sales performance.

Moreover, as part of our omni-channel sales strategy, we have integrated e-commerce and live commerce platforms to expand our sales, launching self-operated channels and flagship stores. However, we have limited control over the operations of these platforms, which could be vulnerable to various risks, including outages, data breaches, power failures, computer viruses, cyberattacks, vandalism and other disruptive events, which could also disrupt our operations and negatively impact our business, financial condition and results of operations. Additionally, there is no guarantee that our online sales strategy will be implemented as planned, or at all.

**Failure to manage and develop our distribution network may cause material and adverse impact on our business operations.**

Our comprehensive distribution network is key to our sales strategy in penetrating local markets. In 2022, 2023 and 2024, our sales to distributors accounted for 74.5%, 66.7% and 40.8% of our revenue, respectively. As of December 31, 2022, 2023 and 2024, we had 1,200, 1,398 and 1,396 distributors, respectively. We plan to further expand our distribution network in tier-3 cities and below by offering customized products to certain distributors, further enhancing our market recognition. Any disruptions or inefficiencies in developing and managing our distribution network may result in high operational costs, reduced sales and a weakened market presence.

However, we may not be able to maintain our relationships with existing distributors or engage new ones in a timely manner and at acceptable cost. Our competitors with substantial financial resources may be able to engage more distributors or offer more favorable terms than ours, thereby weakening our sales network. In addition, some of our distributors may promote competitors' products, which can divert their efforts in selling our offerings. They may also encounter challenges in effectively penetrating new markets, disrupting our market expansion and limiting our growth potential.

Managing an extensive distribution network also incurs significant costs, including expenses related to monitoring distributor performance, providing training and support and maintaining incentives to ensure alignment with our sales goals. However, there is no guarantee that we will always be successful in detecting noncompliance by our distributors with their contractual obligations, which may harm our brand reputation and strain our relationships with other distributors.

Furthermore, if consumer demand for our products declines or if distributor orders fail to align with actual market demand, our distributors may reduce their usual orders or refrain from ordering new products, leading to a significant decline in sales volume.

In addition, we cannot assure you that our measures to mitigate cannibalization risks among the distributors and other sales channels would be effective at all times. See "Business — Our Sales Channels — Coordination between Sales Channels." Any disruption or failure in our ability to optimize these channels may lead to reduced sales, higher operational costs and a diminished market presence, all of which could have a material and adverse impact on our business, financial condition and results of operations.

**We consider the formulas and production methods of our products as critical trade secrets, and our failure to safeguard such secrets will harm our business operation.**

Our success and continued growth greatly depend on a range of proprietary knowledge and trade secrets, including the formulas for our products and food processing equipment and technologies used in production. Despite our established measures to safeguard our trade secrets, we cannot completely eliminate the risk that our employees, OEM manufacturers or other business partners may inadvertently or intentionally disclose our trade secrets to others, including our competitors. Any leakage of our trade secrets may cause a loss of our competitive advantage, further affecting our business, financial condition and results of operations.

**Our future success and business expansion depend on our production capabilities. If we fail to maintain or upgrade our production equipment, facilities, technologies and other operational aspects, or if we fail to successfully implement production expansion plans, our production efficiency and business growth may be negatively impacted.**

Although our current production facilities are sufficient to meet existing demand, we may encounter capacity shortages if consumer demand for our products surges. Our production expansion plan may not be successful due to various reasons, including (i) the availability of suitable locations for new production premises, (ii) proximity to logistics infrastructure to support efficient distribution, (iii) the sufficiency of management and financial resources, and (iv) our ability to hire, train and retain skilled personnel to manage the production facilities. To execute our production plans, we may invest significant resources in planning, site selection, negotiations and construction for production plants. Any failure to execute the plan may lead to production capacity shortage and incur substantial investment losses, causing material and adverse effects to our business, financial condition and results of operations.

Moreover, we continually invest in upgrading the existing production equipment and introducing new ones to improve the efficiency and level of automation, but these efforts may fail to generate expected outcomes. We cannot assure you that such investments in our production facilities will succeed or generate profits in the short term. These investments may rather become wasteful or obsolete due to the rapid technological advancements or shifts in industry standards. Failure to effectively expand our production capacity or adapt to technological changes could hinder our future growth.

**Any disruption to our production process or incidents related to our production may materially and adversely affect our business operations.**

Our production process is subject to potential disruptions arise from a variety of causes, including equipment malfunctions or personnel misconduct, which may be beyond our control. Despite our proactive measures to ensure the regular maintenance and repair of our production equipment, we may still face the risk that repairs may be delayed. Such delays could be due to the unavailability of parts, failure by equipment manufacturers to provide timely support, or challenges faced by our in-house maintenance team in addressing issues swiftly. Any such delay in repairing critical production equipment could result in extended periods of downtime, leading to significant interruptions in our production processes, which would undermine our ability to meet market demand and impact our inventory levels.

In addition to disruption risks caused by human error or equipment malfunctions, our production may be severely disrupted by natural disasters and other force majeure events, including fires, earthquakes, pandemics, or extreme weather conditions such as droughts, floods, severe heat or cold, typhoons or storms. Such events may cause extensive damage to our production facilities, rendering our machinery and infrastructure inoperable for extended periods of time. Furthermore, these events may also disrupt essential services such as power, water or gas supplies, which are critical to our production processes. In addition, transportation channels could be affected, limiting our ability to source raw materials or distribute finished goods to customers, further compounding adverse effects to our business, financial condition and results of operations.

If we are unable to resume production in a timely manner following production disruption, or if we cannot find alternative production facilities to continue operations, we may face significant challenges in meeting consumer demand, resulting in delays in product delivery, inventory shortages and loss of customer trust. Additionally, prolonged or repeated production disruptions would result in increased operational costs, reduced sales and diminished profitability.

**We engage third-party contractors in several production phases and OEM supplier for plum jelly and other products. Such arrangements reduce our control over food safety, product quality, manufacturing yields, development and product delivery schedules, and may harm our brand image and business operation.**

We typically engage contractors to facilitate only certain phases of the production, such as the pickling for our dried plum snacks. We also engage OEM suppliers for the production of plum jelly and other plum-based products, due to the ever-increasing demand for our products. In these collaborations, we provide raw materials directly to the third-party contractors and OEM suppliers and require them to adhere to our strict quality standards and operational guidelines. The contractors and OEM suppliers are expected to meet our requirements for production facilities and organize production based on mutually agreed conditions, including the use of appropriate equipment, adherence to production procedures, compliance with quality standards and the satisfaction of production quantities and timelines.

However, despite these agreements, we may lack sufficient control over the preliminary processing and production of our contractors and OEM suppliers, facing the risk that they may not fully comply with our production guidelines or fail to meet our quality requirements. In particular, they may experience operational issues that result in delays or inadequate production volumes, which could leave us unable to meet consumer demand. Additionally, these contractors' and OEM suppliers' failure to comply with our quality control standards may cause food safety concerns and quality issues. If the products do not meet the required quality standards, we may face product recalls, customer complaints, legal claims, or regulatory penalties, all of which could lead to significant financial liabilities and harm our brand image.

**We face the risk of inventory obsolescence. If we are unable to effectively manage our inventory, our operating results could be adversely affected.**

Our inventories primarily consist of raw materials, work in progress, finished goods and goods in transit. As of December 31, 2022, 2023 and 2024, we had inventories of RMB363.0 million, RMB425.9 million and RMB523.7 million, respectively. Our inventory turnover days in 2022, 2023 and 2024 were 186.5 days, 181.7 days and 167.7 days, respectively. Our ability to accurately forecast consumer demand is essential for maintaining an optimal inventory level, given the short shelf life of both our raw materials and finished products. However, unanticipated events may significantly affect consumer demand, leading to excess inventory, which could further result in inventory obsolescence, a decline in inventory value, or the need for inventory write-downs.

Although we have implemented an inventory management system to monitor and manage the inventory levels of both raw materials and finished products, we cannot assure that this system will always function effectively. Any inefficiencies or failures in the system may further exacerbate inventory-related issues and adversely affect our business, financial condition and results of operations.

**Our business depends on stable warehousing and logistics. Disruptions in our own or third-party warehouses could damage raw materials, work-in-progress and finished products, while delays or mishandling by third-party logistics providers may affect timely product delivery.**

During the Track Record Period and as of the Latest Practicable Date, we operated our own warehouse to store raw materials, work-in-progress and finished products. Some unforeseeable events that are beyond our control, such as climate disasters, may lead to inventory loss, delays in delivery and disruptions in our supply chain which could disrupt our operations, strain customer relationships and cause financial losses.

During the Track Record Period and as of the Latest Practicable Date, the majority of our product transportation was provided by independent third-party logistics service providers. Our logistics providers may delay their delivery due to unforeseeable events beyond our control, such as natural disasters, traffic accidents or labor strikes, disrupting our business operations. Furthermore, if any of our logistics providers were to suspend their services, we may not be able to promptly secure a suitable alternative provider, which could lead to delivery delays, hindering our ability to timely meet customer demand.

We also face the risk that our logistics providers may mishandle our products during delivery, resulting in damaged goods. Such incidents can lead to customer dissatisfaction and harm our brand reputation. If customers consistently receive products in poor condition, we may suffer from loss of customers, an increase in product returns or complaints, further exacerbating the adverse effects on our competitiveness and market position.

Moreover, we may encounter increases in the cost of logistics services, which could place additional financial pressure on our operational expenses. If we are unable to either absorb these increased costs or pass them on to our customers through price adjustments, our profit margins will be reduced, which may adversely affect our business, financial condition and results of operations.

**Natural disasters, extreme weather conditions, pandemics and other catastrophic events beyond our control may disrupt our supply chain, causing material and adverse impact on our business operation.**

The quality and availability of our essential raw materials, such as plums, prunes and other fruits, as well as auxiliary materials such as sugar, are highly susceptible to seasonality and climate-related disasters such as droughts, floods or extreme weather conditions. Despite our efforts to mitigate these risks by sourcing raw materials from various geographic regions, we cannot completely eliminate such risks. In the event of a severe shortage, we may be forced to purchase raw materials at inflated prices or resort to lower-quality alternatives, both of which may lead to a surge in production costs and decline in product quality.

In addition, a shortage of high-quality raw materials may force us to either delay production or use lower-grade raw materials, which could affect the taste, appearance and quality of our finished products. If we fail to meet consumer expectations or maintain consistent quality, we may face reduced customer satisfaction, increased product returns and diminished brand image. In the long term, extended raw material shortages or quality issues could impair our ability to meet demand, negatively impacting our sales, profitability and market position.

**Changes in international trade policies, geopolitics and trade tariffs, export controls, economic or trade sanctions and foreign currency movements may materially and adversely affect our business, financial condition and results of operations.**

Our overseas business expansion is exposed to international trade policies, geopolitical tensions and the imposition of tariffs, export controls or economic sanctions, which are inherently unpredictable and beyond our control. In particular, geopolitical tensions and economic sanctions may lead to restrictions on our product sales and raw material procurement in certain countries, limiting our access to key markets. Changes in trade or investment agreements could result in bans or limitations on our goods, thereby curbing our expansion efforts. In addition, sanctions could strain our relationships with foreign partners and suppliers, adversely affecting our international business.

Additionally, heightened tensions may shift consumer preferences in overseas markets toward domestically produced products, reducing demand for imported goods, including ours. In some regions, we may face increased tariffs on our products, driving up our products' prices, undermining our competitiveness and impacting our profit margins.

During the course of February and April 2025, U.S. President Trump implemented tariffs on several major trading partners, including Canada, China, the European Union and Mexico, with a baseline of 10% tariffs on all countries and an additional individualized reciprocal higher tariff on the countries with which the U.S. has the largest trade deficits ("**U.S. Reciprocal Tariffs**"). These U.S. Reciprocal Tariffs were soon escalated for several rounds. In response to the U.S. Reciprocal Tariffs, China adopted a series of trade measures including raising its tariffs on U.S. goods to 125%. During the Track Record Period, we sourced certain prunes from the U.S. As a result, under the new tariff regime, we may incur additional costs in these purchases going forward. We may not be able to absorb the increased procurement costs or pass the costs to consumers, thereby facing the decline in profitability of our prune-based products.

Moreover, these tariffs as well as their scope of application remain subject to further negotiations and adjustments. There is also substantial uncertainty in relation to the interpretation, implementation and administration of the tariffs. Existing bilateral or multilateral trade agreements between the U.S. and other countries may also affect the scope of application of the U.S. Reciprocal tariffs. It is therefore uncertain how China may adjust its trade measures on U.S. goods. Given our robust relationships with renowned farms in other prune sourcing regions, we are reviewing the cost efficiency of our purchase arrangements in light of the developing new tariff regime and will be able to make switches if necessary. However, if China's tariffs on the U.S. goods continue to rise, and we are unable to find the alternative prune suppliers in a timely and cost-effective manner, we may bear substantial cost surges that may adversely affect our business, financial condition and results of operations.

Further, we are exposed to foreign currency risk, as exchange rates fluctuate, related to our procurement of raw materials and equipment, as well as our product exports. The translational and transactional impacts caused by fluctuation in exchange rates vary over time and may be more material in the future. There can be no assurance that we can implement effective measures to reduce or eliminate our exposure to fluctuations in foreign exchange rates.

**We may not be able to detect or prevent fraud, bribery or other misconduct committed by our employees, customers or other third parties. Misconduct, noncompliance and omissions by our employees or third parties could harm our business and reputation.**

There is no guarantee that the internal control procedures we implement are effective in detecting or preventing fraud, bribery or other forms of misconduct by our employees, customers or third parties. As a result, we may face negative publicity and become subject to litigation, government investigations or even administrative penalties, which could have a severe negative impact on our business, financial condition and results of operations.

Our ability to identify and mitigate such risks is inherently limited by the information and risk management tools or technologies available to us. Moreover, as our business continues to grow in scale and scope, maintaining and implementing our internal controls may become increasingly challenging. Despite our best efforts, certain risks may go undetected or unresolved, and our internal controls may not always respond to emerging threats or misconduct in a timely manner.

**Counterfeit products that misappropriate our brand may significantly harm our reputation and brand image, and divert potential customers.**

Our well-established brand has drawn the attention of imitators who produce and sell unauthorized replicas of our products, misappropriating our brand without permission. These counterfeit goods can potentially mislead our current and prospective customers, resulting in the loss of sales. In addition, low-quality counterfeit products could tarnish our brand reputation, leading to a decline in financial performance, a reduction in market share and the need to allocate additional resources towards identifying and pursuing legal action against these infringements.

We cannot assure you that our measures to curbe the production and distribution of counterfeit products will fully prevent unauthorized use of our trademarks or the imitation of our products. Ongoing challenges with counterfeit goods could erode consumer trust and undermine our brand recognition, ultimately affecting our business, financial condition and results of operations.

**If we fail to maintain our relationships with our customers or meet their changing preferences, our results of operations may be materially and adversely affected.**

Our major customers primarily comprise major retailers and distributors. During the Track Record Period, revenue from our five largest customers in each year accounted for 12.7%, 14.2% and 33.1% of our total revenue for the respective year. During the Track Record Period, revenue from our largest customer in each year accounted for 4.6%, 3.4% and 14.1% of our total revenue for the respective year. Any factors that cause these major customers to reduce their purchases, including economic downturns, shifts in industry trends, or changes in their preferences, could significantly affect the results of our operations.

Although we are working to broaden our consumer bases, diversify our product offerings, and adapt to evolving sales channels, there is no guarantee that these strategies will succeed. If some of our major customers encounter operational issues, or if we fail to maintain or grow our revenue from existing customers or to establish relationships with new customers, our business, financial condition and results of operations could be materially and adversely affected.

**Our business is subject to seasonality, which may cause fluctuations in consumer demand for our products.**

Consumer demand for our products is subject to seasonality. We experience pronounced sales peaks during major holiday seasons and shopping events, such as Chinese New Year, the 618 Shopping Festival and Double Eleven. Meanwhile, we also have low seasons where we experience lower profitability and reduced utilization of our production facilities. Our sales fluctuate due to various factors, including, among others, the timing of new product launches and the scheduling of marketing and promotional activities. As a result, comparing sales and operating results across different periods may not provide an accurate representation of our overall performance. Our results in any given quarter or half-year period may not necessarily reflect the outcomes we may achieve for the entire fiscal year. Therefore, you should be cautious when interpreting interim financial results, as they may not be an accurate predictor of our full-year performance.

**We may not be able to sustain our historical growth rate, and our historical results of operations and financial performance may not be indicative of our future growth or future performance.**

We have experienced significant growth during the Track Record Period. Our revenue increased from RMB1,174.0 million in 2022 to RMB1,322.0 million in 2023, and further to RMB1,616.0 million in 2024. Our gross profit increased from RMB453.2 million in 2022 to RMB529.7 million in 2023, and further to RMB582.5 million in 2024.

Our revenue growth during the Track Record Period was primarily driven by the success of our newly launched products, such as plum jelly. However, we cannot guarantee that future product launches will achieve similar outcomes, as consumer preferences are inherently unpredictable, and our innovations may not always resonate with customers to the same extent as past offerings.

Similarly, while our marketing and promotional campaigns have been effective during the Track Record Period, we cannot assure you that these strategies can be replicated with the same level of success in the future. Additionally, consumer demand can shift quickly due to changing market trends and tastes, or external factors. We may not always be able to anticipate or capture these changes in a timely manner, which could affect our ability to sustain business growth.

**We may not be able to obtain, maintain and protect our intellectual property or may be involved in legal disputes of infringement of third parties' intellectual property, which may harm our reputation and brand value, and adversely affect our business operations.**

Our trademarks, patents and intellectual property rights are vital to our brand recognition. In particular, we primarily rely on our trademarks and our iconic brand to maintain our competitive advantages. As of December 31, 2024, we registered 42 invention and utility model patents, 40 trademarks and 76 copyrights that are material to our business operations in China. See "Appendix VI — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" for more details of our material intellectual property rights. However, we face the risk of unauthorized use or infringement by third parties, particularly in cases where counterfeit products misappropriate our intellectual property. Such infringement can be difficult to detect and may harm our brand reputation and divert our market share. We cannot assure you that our measures to protect our intellectual property may always be effective. We may need to engage in costly and time-consuming litigation to enforce our rights, with no guarantee of success. Failure to protect our intellectual property could have a material adverse impact on our business operations and product development. Monitoring and enforcing our rights can be challenging and resource-intensive, and any failure to safeguard our intellectual property could negatively affect our business and market position.

We also face the risk of being accused of infringing third parties' intellectual property. As we develop new products, we may unintentionally use others' protected technology, leading to legal claims that could result in liabilities and injunctions, or disruptions to our operations. Defending against these claims can be expensive and could damage our reputation, thereby adversely affecting our business, financial condition and results of operations.

**Our business depends substantially on the continuing efforts of our management and other key personnel, as well as a competent pool of talent that support our operations and future growth, and we may not be able to retain, attract, recruit and train such personnel.**

The composition and ongoing commitment of our management team have been critical to our success and operational efficiency, particularly the leadership of our CEO, Mr. Yang Fan, who has extensive experience in the snack food industry. Under his leadership, along with the expertise of other key members of our management, sales and marketing and R&D teams, we have successfully optimized product development, supply chain management and market expansion. Our team's deep knowledge of business strategy, product development, operations, production, warehousing, logistics, sales and marketing, and regulatory compliance, coupled with our relationships with customers and suppliers, facilitate our business growth and reinforce our market leadership in the snack food industry.

While we offer competitive compensation packages and foster a collaborative working environment, we may not retain all of our key personnel. If there are significant changes in the composition of our management team or if key employees depart, we may not be able to find suitable replacements with comparable industry expertise. Additionally, new recruits might not seamlessly adapt to our business operation, leading to potential disruptions. Recruiting and training new personnel may also incur additional costs and delay our growth, weakening our competitiveness and disrupting our operations. The loss of such experienced leadership could also affect our brand reputation and our ability to maintain customer relationships.

**Any failure to offer high-quality after-sales services or promptly address consumer complaints may harm our relationships with them and, consequently, our business.**

Our close relationship with customers is a crucial part of our long-term strategy to continually strengthen our brand recognition and market presence. To maintain and enhance these relationships, providing high-quality after-sales services and addressing consumers' complaints are essential. We cannot assure you that we can always provide satisfactory services to every customer. There is a possibility that our after-sales team may, at times, unintentionally overlook certain complaints, leading to customer dissatisfaction and straining our relationships with customers. In the long term, such issues may harm our business reputation and weaken customer trust, which would adversely affect our business, financial condition and results of operations.

**Our business operation requires a variety of approvals, licenses and permits, and any failure to obtain or renew any of these approvals, licenses and permits could materially and adversely affect our business and results of operations.**

We are subject to various laws and regulations, which require us to obtain and maintain a range of approvals, licenses and permits, including business licenses as well as food production licenses for our processing facilities. The issuance and renewal of these authorizations depend on our adherence to applicable legal requirements, such as the Food Safety Law of the PRC (《中華人民共和國食品安全法》) and the corresponding Implementing Rules (《中華人民共和國食品安全法實施條例》). Although we have already acquired the necessary approvals, licenses and permits, these are subject to ongoing examination and verification by relevant authorities, and they are typically valid for only a limited period before renewal or reaccreditation. Compliance with these regulatory requirements can be costly and time-consuming. Any failure to comply could result in liability, including fines or penalties. In the event of noncompliance, we may need to allocate significant resources to rectify deficiencies, which could divert management attention and lead to substantial expenses. Further, any regulatory violations or delays in compliance could lead to negative publicity.

Moreover, we may face challenges, delays, or even failures in obtaining the necessary approvals, licenses and permits for our new processing facilities. There is no guarantee that we will be able to secure or renew all of the required approvals, licenses or permits for our existing operations in the future in a timely manner and at acceptable costs, or at all. If we are unable to obtain or maintain these regulatory approvals, our business operations could be interrupted, and our plans for expansion may be significantly delayed or even halted. This could negatively impact our business, financial condition and results of operations.

**Our business is subject to evolving laws and regulations in the PRC. Any material noncompliance with various laws and regulations in our operations may subject us to fines and penalties imposed by the governmental authorities.**

We are subject to various laws and regulations imposed by the PRC government relating to, among others, food safety, environmental protection, health, fire safety and other safety, data protection and privacy, property and labor requirements. See "Regulatory Overview." As these laws and regulations are continually evolving, noncompliance with existing and future applicable laws and regulations could subject us to costs or liabilities, including monetary damages and fines, impacts on our production capabilities, suspension of our business operations and a general impact on our financial performance.

For instance, under the Food Safety Law of the PRC (《中華人民共和國食品安全法》), all food production enterprises must obtain a food production license. This law also imposes strict safety standards for food and food additives, packaging, the information disclosed on packaging and the conditions of food production. It also covers the infrastructure and equipment used in the transport and sale of food products. Failure to meet these regulatory requirements may lead to severe consequences such as fines, business suspensions, the loss of licenses or, in more serious cases, criminal charges against us or our management. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

In addition, we are subject to a wide and increasingly broad array of PRC laws and regulations regarding environmental protection, fire safety and other safety regulations. For example, we are required to obtain environmental protection approvals for some of our production sites and complete fire safety filing procedures. Noncompliance with either current or future laws on environmental protection and fire safety may cause significant costs or liabilities on us, including potential rectification orders, fines, monetary damages, order to rectification or other penalties, negatively impacting our financial performance. See "Business — Licenses, Approvals and Permits — Non-compliance."

Further, there is a possibility that the Chinese government will impose additional or more stringent laws or regulations on food safety or otherwise related to our business in the future, the compliance of which may require us to incur significant capital expenditure.

**Our failure to timely collect our trade and bills receivables, other receivables and prepayments may adversely affect our financial performance.**

We generally grant a credit period of one month to our retailer customers, and may extend up to 30 to 60 days for major retailer customers. As of December 31, 2022, 2023 and 2024, our trade and bills receivables were RMB78.5 million, RMB80.5 million and RMB162.9 million, respectively. We cannot guarantee that our customers or other parties could make payments to us in a timely manner, and delays in their payments may cause an adverse effect on our liquidity position and working capital efficiency, which may in turn increase our finance costs and adversely affect our financial performance.

Our trade and bills receivables turnover days were 22.6 days, 23.4 days and 28.9 days in 2022, 2023 and 2024, respectively. With the expansion of our business, there is a possibility that these turnover days will increase in the future, which will make it more challenging for us to manage our working capital effectively, and our results of operations, financial condition and liquidity may be materially and adversely affected.

In addition, our prepayments may involve significant uncertainties. As of December 31, 2022, 2023 and 2024, the balance of our prepayments, other receivables and other assets was RMB94.9 million, RMB81.6 million and RMB147.4 million, respectively. However, we cannot assure you that suppliers and third-party service providers will perform their obligations in a timely manner, which may cause prepayment default and impairment loss risk in relation to the prepayments, causing material and adverse effect to our business and financial position. We cannot assure you that we will not incur material impairment losses in the future.

**We are subject to the risk of exposure to fair value change for our financial assets at fair value through profit or loss ("FVTPL") and valuation uncertainty due to the use of unobservable inputs.**

Our financial assets at FVTPL primarily arose from our repurchase rights and other embedded derivatives associated with special rights granted to shareholders, which are measured at fair value with fair value, determined using significant unobservable inputs and valuation techniques. As of December 31, 2022, 2023 and 2024, our financial assets at FVTPL amounted to RMB462.7 million, RMB262.5 million and RMB171.1 million, respectively. The value of these equity instrument can fluctuate due to various factors, such as market volatility, changes in interest rates, shifts in our creditworthiness, and other market-driven variables. The valuation of these financial assets and equity instrument can be highly uncertain, especially when unobservable inputs are used in valuation models. These inputs might not accurately reflect actual market conditions or could be based on assumptions that may not materialize, leading to potential discrepancies between the recorded fair value and the price we might obtain in an actual transaction. Any changes in the fair value change of financial assets at FVTPL may adversely affect our profit and loss statements, potentially impacting our overall financial condition and results of operations. There can be no assurance that we will recognize fair value gains from financial assets in the future.

**If we are unable to perform our contracts, our results of operations and financial condition may be adversely affected.**

Contract liabilities mainly arise from the advance payments received from distributors while the underlying goods are yet to be provided. As of December 31, 2022, 2023 and 2024, we had contract liabilities of RMB108.8 million, RMB122.3 million and RMB73.2 million, respectively. If we fail to honor our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the prepayments they have made, which may in turn adversely affect our financial performance. In addition, any failure to honor our contractual obligations to customers may result in our relationship with such customers to deteriorate, which may further affect our business, financial condition and results of operations in the future.

**We had net current liabilities during the Track Record Period. We cannot assure you that we will not experience net current liabilities or net liabilities in the future, which could expose us to liquidity risks.**

We had net current liabilities during the Track Record Period. As of December 31, 2022, 2023 and 2024, we recorded net current liabilities of RMB507.2 million, RMB239.0 million and RMB113.2 million, respectively, mainly arising from our inventories, financial liabilities at FVTPL, trade and bills receivables and interest-bearing bank borrowings. We cannot assure you that we will not experience liquidity problems in the future. If we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business operations and capital expenditure and our business and financial position will be adversely affected.

**We may experience discontinuation, reduction or delay of any preferential tax treatments or government grants.**

During the Track Record Period, we benefited from preferential tax treatment under relevant tax policies. For example, certain of our subsidiaries were qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 2.5% to 5% in 2022 and 5% in 2023 and 2024. One of our subsidiaries in China was approved as High and New Technology Enterprise in 2022 and was entitled to a preferential corporate income tax rate of 15% in 2022, 2023 and 2024. This qualification is subject to review by the relevant tax authority in the PRC every three years. See Note 11 to the Accountants' Report in Appendix I to this document. However, we cannot guarantee that such preferential tax treatment will continue in the future. If we lose eligibility for these tax incentives, our income tax expenses may increase, potentially affecting our financial results and profitability.

We also receive government grants and subsidies, primarily in the form of non-recurring financial assistance from local governments. These grants amounted to RMB14.7 million, RMB19.5 million and RMB33.8 million in 2022, 2023 and 2024, respectively. See Note 6 to the Accountants' Report in Appendix I to this document. However, we cannot assure you that we will continue to receive or benefit from such government support in the future, and any reduction or cessation of these grants could adversely impact our financial performance.

**We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.**

Pursuant to relevant PRC laws and regulations, employers are obligated to directly and duly contribute to social insurance and housing provident funds for their employees. During the Track Record Period, we failed to make and had not made social insurance and housing provident funds for some of our employees in full in accordance with the relevant PRC laws and regulations. According to the applicable laws and regulations, the relevant competent authorities may demand that we take rectification measures. If we fail to take the measures as demanded, we may be subject to fines. In addition, we engaged a third-party human resource agency to pay social insurance and housing provident funds for a small number of our employees during the Track Record Period.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), for the shortfall of social insurance, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period and to pay a daily overdue charge of 0.05% of the delayed payment amount, and (ii) to pay a fine of one to three times the overdue amount if such payment is not made within the stipulated period. Under the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), for the shortfall of housing provident funds, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period, and (ii) an application may be made to the courts for compulsory enforcement if the payment is not made within such time limit. Furthermore, we might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant authorities if the third-party human resource agency failed to pay the social insurance or housing provident funds for the relevant employees in full and/or in a timely manner, or if the validity of such arrangements are challenged by relevant authorities. We might also be subject to potential labor disputes arising from such arrangements with the relevant employees.

We cannot assure you that the relevant governmental authorities will not require us to pay the outstanding amount and impose late fees or fines, pecuniary penalties or other administrative actions on us. If we are otherwise subject to investigations of such incidents related to labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our results of operations, financial performance and business prospects may be materially and adversely affected.

**We are subject to various risks relating to third-party payments.**

During the Track Record Period, certain of our customers (individually or collectively, the "**Relevant Customer(s)**") settled payments with us through accounts that do not belong to the contractual parties, except for those settled through the accounts of the operators in the case of sole proprietorships, under the corresponding sales and purchase agreements (the "**Third Party Payment Arrangements**"). In 2022, 2023 and 2024, the aggregate amount settled with the Relevant Customers under the Third-Party Payment Arrangements was RMB227.6 million, RMB215.4 million and RMB79.0 million, respectively, representing 19.4%, 16.3% and 4.9% of the total revenue for the same periods. See "Business — Our Customers — Third-Party Payment Arrangements." We are subject to various risks relating to such Third-party Payment Arrangements, including possible claims from third-party payers for the return of funds, and possible claims from liquidators of third-party payers. In the event of any claims from third-party payers or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we may have to expend financial and managerial resources to defend against such claims and legal proceedings, and our business, financial condition and results of operations may as a result be adversely affected.

**Any defect of our IT systems or any failure to comply with relevant information security laws can subject us to regulatory scrutiny and legal proceedings, damaging our reputation and negatively affecting our operation.**

We deploy various IT systems to manage, process, transmit and store critical data related to our business activities. These systems play a central role in facilitating communication between our employees, suppliers, distributors and customers, and are integral to the smooth functioning of our operations. See "Business — Information Technology" and "Business — Data Privacy and Security." However, our IT systems are susceptible to interruptions and data breaches due to a variety of factors beyond our control. These could include natural disasters, telecommunications failures, system flaws, cyberattacks, computer viruses, hacking attempts and other security vulnerabilities. Any significant disruption to our IT systems could lead to operational delays, potentially interrupting our production or delivery processes, which in turn may result in lost sales and damage to our reputation.

To support our growth and adapt to the evolving digital landscape, we periodically implement, modify and upgrade our IT systems, particularly as we expand our online presence and digitalize our production process. These upgrades often require significant investment, but there is no guarantee that these modifications or upgrades will deliver the expected benefits or lead to increased profitability. In fact, such changes could introduce new technical issues, disrupt ongoing operations or fail to generate returns that justify the incurred costs, potentially impacting our business, financial condition and results of operations.

**Changes in environmental, social and governance compliance requirements or our failure to meet these requirements will adversely affect our business, operating results and financial condition.**

We are subject to an increasingly complex framework of ESG-related laws and regulations. To ensure compliance, we have implemented a monitoring system and taken various measures to align our operations with these requirements. In addition, we invest heavily in the necessary resources, such as technology and personnel, to meet these obligations and strengthen our commitment to sustainability and corporate responsibility. See "Business — Environmental, Social and Governance."

The regulatory landscape for ESG is rapidly evolving, as these requirements have only recently gained attention. As awareness around ESG continues to grow within the food manufacturing industry, regulatory standards are expected to become more rigorous and complex. Despite our significant efforts to ensure compliance, there is a risk that our current systems may not fully comply with these ever-changing laws and regulations, which could expose us to fines, penalties or operational restrictions. Additionally, we may overlook certain ESG-related risks, which could result in noncompliance or gaps in our sustainability initiatives. As consumers, [REDACTED] and other stakeholders increasingly prioritize ESG-related issues, any perceived lapse in our commitment to these principles could damage our brand and public image, making it harder to maintain customer loyalty and attract [REDACTED]. In turn, this noncompliance could cause a material adverse effect on our business, financial condition and results of operations.

**Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations.**

Our success largely depends on our ability to effectively deploy and enhance our standardized management system, information systems and internal controls. As our business continues to grow, it is essential that we continually refine and upgrade our financial controls, managerial systems, reporting processes and other internal controls to align with our evolving operational demands and ensure these systems remain effective. Ineffective internal controls could cause operational errors, information lapses or inaccurate reporting, all of which could negatively impact our business performance. Although we strive to strengthen our internal control systems, there remains a risk that our efforts may not fully eliminate all potential risks. If we are unable to identify and resolve weaknesses in our internal controls in a timely manner, we may suffer from financial misstatements, operational inefficiencies or compliance issues, which could damage our reputation and have a material adverse effect on our business, financial condition and results of operations.

**We may be involved in legal proceedings and disputes, which could materially and adversely affect our reputation, business, results of operations and financial condition.**

We are subject to the risks of litigation or legal proceedings in the ordinary course of business, including matters related to product liability, labor disputes or contractual disagreements. Whether or not we can successfully defend against such claims, they could generate negative publicity, damage our brand reputation and reduce consumer demand for our products. Becoming involved in litigation could cause significant legal expenses, with uncertain outcomes that could lead to unfavorable settlements or rulings adversely affecting our financial condition. In addition, managing these legal matters would require substantial time and resources from our management, diverting their attention from core business operations and potentially impacting our overall performance.

**We may encounter challenges in expanding our business overseas. Our overseas operations and expansion may be subject to the various regulatory risks of local markets. Our products may not be accepted by overseas customers due to varying consumer preferences, cultural differences or market conditions.**

We have expanded our presence beyond China and are committed to continuing our global expansion efforts, but our efforts may fail due to our limited overseas operating experience. In particular, our overseas operations are subject to complex and diverse regulatory environments. We must navigate differences in licensing, approvals, permits, tax, tariffs, labor laws and merchandise regulations, which are sometimes difficult to be interpreted and applied. The costs associated with complying with these local laws and regulations may be substantial and could impose significant operational burdens.

We also face challenges in anticipating foreign consumers' preferences due to different cultural contexts, taste profiles and consumption patterns. Our inability to adapt our products to suit local tastes could limit demand and slow the growth of our overseas business. Likewise, our branding and marketing strategies developed for the Chinese market may not resonate with consumers in other countries, making it difficult to establish our brand recognition.

Moreover, we may fail to establish strong, cost-effective relationships with local suppliers in overseas markets, which could drive up our procurement costs and further reduce our profit margins. Without the ability to secure reliable and efficient suppliers, our ability to operate sustainably and profitably in these new markets may be compromised. Altogether, these challenges could hinder our ability to successfully expand overseas, leading to increased costs, delayed growth and negative impact on our overall profitability.

**We may not have sufficient insurance coverage to cover our business risks, including all losses or potential claims by our customers, which would affect our business, results of operations and financial condition.**

We carry limited statutory insurance, which we believe aligns with industry standards for businesses of our size and type. See "Business — Insurance." However, if we incur substantial uninsured losses, our financial results and operational performance could be significantly impacted. Additionally, we do not have insurance coverage for product liability or business interruptions caused by natural disasters such as droughts, floods, earthquakes or severe weather, nor for disruptions in utility supply or other unforeseen events. Any claims related to product liability, operational interruptions or the resulting losses could materially and adversely affect our business, financial condition and results of operations.

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

The production and sale of our products are labor-intensive processes, and our success relies on our ability to hire, train, retain and motivate a skilled workforce. Any deterioration in our relationships with employees may lead to labor disputes, potentially resulting in disruption to our production and operations, which would adversely affect our business operations. As China's economy continues to grow, labor costs are expected to continue to increase. Additionally, labor shortages and an aging population may exacerbate the labor cost issue. To remain competitive, we may need to offer higher compensation packages, which could materially increase our labor costs and negatively impact our profitability, financial condition and results of operations. Prolonged labor shortages or further inflation in labor costs could intensify these challenges and restrict our ability to expand or maintain operations efficiently.

**Our employees are subject to risks of injury caused by the use of production equipment and machinery.**

Our production involves the use of production machinery and equipment, all of which carry inherent safety risks. The use of such production machinery and equipment may cause industrial accidents and personal injury to our employees, exposing us to legal liabilities and regulatory penalties.

Our insurance coverage may be insufficient to completely offset the losses or claims that arise from such incidents. We cannot guarantee that accidents will not occur in the future and, in the event of a major accident, we may face substantial claims for property damage and personal injury. These incidents could result in costly medical expenses, compensation payments to employees and their families and potential fines or penalties imposed by regulatory authorities. In addition to the financial costs, such accidents could significantly damage our reputation and brand image, affecting trust in our ability to maintain safe operations. Furthermore, ongoing challenges related to workplace safety may also affect our ability to attract and retain talent, further compounding the negative effects on our business, financial condition and results of operations.

**We are subject to risks in relation to our owned and leased properties.**

As of the Latest Practicable Date, we were not able to obtain the relevant title certificates for certain owned properties situated on two parcels of land for which we had land use right, which were mainly used as sun-drying facilities for the drying process of our raw materials. The floor area of these properties accounted for approximately 3% of our total owned properties as of the Latest Practicable Date. We acquired the land with such buildings that lacked the title certificates at the time, due to incomplete regulatory procedures, as a result of which these properties do not have the necessary construction approval procedures to obtain title certificates. As advised by the PRC Legal Advisor, the relevant competent authorities may order the construction entity to demolish the buildings or structures, and confiscate the buildings or structures or any income illegally earned from such buildings or structures; and/or impose a fine of not more than 10% of the construction cost. See "Business — Properties — Owned Properties." In addition, we commenced the production at our plum processing facilities for sun-drying and pickling in Guangxi without completing the filing of the inspection and acceptance check (竣工驗收備案) with relevant authorities. In Fujian, we began utilizing a building for employee dormitory and cafeteria purposes prior to completing the filing of final inspection and acceptance check with relevant authorities. See "— Licenses, Approvals and Permits — Non-compliance —

Incomplete Acceptance Check for Guangxi Plum Processing Facility" and "— Licenses, Approvals and Permits — Non-compliance — Incomplete Acceptance Check for Fujian Employee Dormitory," respectively.

Pursuant to the applicable laws and regulations in China, property lease agreements for leased buildings must be registered with the relevant real estate administration bureaus in China. As of the Latest Practicable Date, we had not registered the lease agreements for all 24 of our leased properties with the relevant competent authorities in accordance with applicable laws and regulations in China. Our PRC Legal Advisor advised us that the lack of registration does not affect the validity and enforceability of the lease agreements, but we may be subject to fines from RMB1,000 to RMB10,000 for each such lease agreement for failure to register. As of the Latest Practicable Date, lessors of three out of our 24 leased properties with an aggregate gross floor area of 279.42 sq.m. failed to provide us their property ownership certificates or proof of authorizations from the property owners. Additionally, as of the same date, the actual use of eight out of our 24 leased properties with an aggregate gross floor area of 1,065.37 sq.m. did not fit into the prescribed scope of usage shown on the relevant certificates. As advised by our PRC Legal Advisor, for the leased properties that were subject to title defects or with inconsistent usage, the property owners and the relevant lessors shall take the responsibility to obtain valid title certificates and ensure the actual usage complies with the prescribed usage of the properties. As the tenants, we would not be subject to any administrative penalties pursuant to the relevant laws and regulations. However, if any of these leases is terminated as a result of challenges by third parties, we may not be able to continue to use the properties. See "Business — Properties — Leased Properties." Furthermore, we may be exposed to risks of unexpected early lease termination at the request of the lessors or other reasons beyond our control, and the relevant facilities need to be temporarily closed if we are unable to identify suitable premises on acceptable terms to relocate in a timely manner.

There is no assurance that we will not be subject to any administrative penalties for these defective titles in the future, and if this were to happen, our business, results of operation and financial position may be adversely affected.

**Our business growth, financial condition and prospects may be affected by any future occurrence of force majeure events, changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics, and social disruption and other outbreaks.**

Uncertainties about global economic conditions and regulatory changes and other factors including fluctuation of interest rates, inflation level, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors may pose risks and materially and adversely affect demand for our solutions. In addition, force majeure events or natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic or any severe epidemic disease such as SARS, Ebola, Zika or the COVID-19, acts of war, terrorism or other force majeure events beyond our control may disrupt our R&D, commercialization activities and business operations, all of which could adversely affect our business, financial condition and prospects.

## RISKS RELATING TO DOING BUSINESS IN THE JURISDICTION WHERE WE OPERATE

**Changes in the economic policies of the geographic markets in which we operate may pose challenges to our ability to maintain our current expansion plans and overall business performance and affect our business, financial condition and results of operations.**

A significant portion of our business assets are conducted in China, and nearly all of our sales are currently derived from the Chinese market. As a result, our financial performance, growth prospects and overall business operations are heavily influenced by economic and legal developments in China.

In recent years, the Chinese government has introduced a series of laws, regulations and policies that impose stricter standards on the snack food industry in which we operate our business, particularly regarding food safety and the production process. If the government continues to implement stricter regulations, we may face rising compliance costs, which could adversely affect our profitability. Additionally, our business is subject to the broader macroeconomic conditions in China, which affect consumer behavior, spending power and consumption patterns. Any downturn in the Chinese economy, shifts in disposable income, or changes in consumer preferences could negatively impact demand for our products, further affecting our financial results.

**We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.**

On February 17, 2023, the China Securities Regulatory Commission (CSRC) issued the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five related guidelines, which became effective on March 31, 2023. These measures require PRC domestic companies conducting overseas [REDACTED] or [REDACTED] to complete filing procedures and report relevant information to the CSRC for any future securities [REDACTED] in the same or other overseas markets (the "**Future [REDACTED]**"). As a result, we will be required to comply with the CSRC's filing requirements for any Future [REDACTED]. However, we cannot assure you that we will be able to complete these filing procedures in a timely manner, or at all, which could adversely affect our ability to carry out Future [REDACTED].

Moreover, we cannot guarantee that future laws or regulations will not impose additional requirements or restrictions on our financing activities. If it is determined in the future that approval from, or filing with, the CSRC or other regulatory authorities is required for this [REDACTED] or our future financing activities, we may fail to obtain such approval, perform the necessary filing procedures, or meet other regulatory requirements, either in a timely manner or at all. In such a case, we could face potential sanctions from the CSRC or other PRC regulatory authorities, which could include fines, penalties, restrictions on our operating activities within China, or limitations on our ability to pay dividends outside of China. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

**It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.**

We are a company incorporated under the laws of the PRC, with all of our business operations and assets located in China. Additionally, the majority of our Directors, Supervisors and executive officers reside in China, and their assets are largely based in China as well. Consequently, it may be difficult for [REDACTED] to initiate legal proceedings or serve process on us or our key personnel outside of China, including in the United States or other jurisdictions, particularly for matters related to U.S. federal or state securities laws.

China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned which came into effect on August 1, 2008. This was abolished on January 29, 2024, pursuant to which a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. China and Hong Kong have concluded the Arrangement on Mutual Recognition and Enforcement of Civil and Commercial Judgments between the Mainland and the Hong Kong Special Administrative Region, which took effect on January 29, 2024. Accordingly, the scope of applicable cases for judicial assistance can be expanded. In principle, judgments made after January 29, 2024 are subject to the provisions of the new "Arrangement". However, for cases where the "written jurisdiction agreement" referred to in the old "Arrangement" was signed before January 29, 2024, the old "Arrangement" still applies regardless of when the judgment is made. Moreover, China has not entered into similar reciprocal treaties for the enforcement of court judgments with countries such as the United States, the United Kingdom, Japan and many other nations. Furthermore, Hong Kong lacks an arrangement with the United States for the reciprocal enforcement of court judgments. According to PRC Civil Procedure Law and other relevant regulations, a court judgment from the United States or other jurisdictions may only be recognized and enforced in China or Hong Kong if there is a relevant treaty or agreement between China and the country where the judgment was issued, which is currently not the case with many major jurisdictions.

**Fluctuations in foreign currency exchange rates may adversely affect our operational and financial results.**

The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies is subject to fluctuations, which are influenced by various factors including Chinese government policies, political and economic conditions in both China and globally, as well as supply and demand in the local currency market. We cannot assure you that we will have sufficient foreign exchange to meet our needs at a given exchange rate. In addition, we are unable to predict how market forces or government interventions might impact the exchange rate between the Renminbi and other currencies, such as the Hong Kong dollar or U.S. dollar, in the future.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars, and any appreciation of the Renminbi against the U.S. dollar, Hong Kong dollar or other currencies could reduce the value of these [REDACTED]. Conversely, any depreciation of the Renminbi could negatively affect the value of our Shares and the dividends payable in foreign currencies. Furthermore, there are only limited hedging instruments available to us at reasonable costs to mitigate our exposure to foreign currency risks. These factors could have a material adverse effect on our business, financial condition and results of operations. [REDACTED] may also experience difficulties in serving legal process, enforcing foreign judgments or initiating legal actions based on foreign laws against us, our Directors or senior management in China or Hong Kong.

**Changes in currency conversion policies may adversely affect the value of your [REDACTED].**

We may need to convert a portion of our revenue into foreign currencies to meet obligations such as operating costs, expenses and any dividends declared on our H Shares. However, if there are shortages in the availability of foreign currency, our ability to remit sufficient funds to cover these obligations could be restricted, including our ability to pay dividends or meet other foreign currency-denominated commitments.

Under current PRC foreign exchange regulations, payments for current account items like profit distributions, interest payments and trade-related transactions can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (SAFE), provided that certain procedural requirements are met. However, when converting Renminbi into foreign currency to pay for capital expenses, such as the repayment of foreign currency-denominated loans, the approval of or registration with relevant government authorities is required. Additionally, if a significant imbalance in international payments arises, the PRC government may impose safeguards or other control measures. There is no guarantee that the regulations governing the remittance of Renminbi in and out of China will remain unchanged in the future, and any modifications could impact our ability to meet foreign currency obligations.

**Holders of our H Shares may be subject to PRC income tax obligations.**

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20%. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) (財稅[2009]167號) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) (財稅[2010]70號). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises [REDACTED] on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of [REDACTED] shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance as to whether further implemented laws, regulations or practices in the future would result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Pursuant to the EIT Law and its implementing rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), dated June 28, 2011, issued by the SAT, non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in such PRC companies, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including [REDACTED] Nominees and payments through [REDACTED]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of any such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares. If any PRC income tax is collected from the transfer of our H Shares or on dividends paid to our non-PRC resident [REDACTED], the value of your [REDACTED] in our H Shares may be affected.

## RISKS RELATING TO THE [REDACTED]

**There has been no prior public market for our H Shares and the price and trading volume of our H Shares may be volatile, which could cause substantial losses to [REDACTED] in the [REDACTED].**

The [REDACTED] of our H Shares was determined through negotiations between us and the [REDACTED] and [REDACTED]. As a result, the [REDACTED] may differ substantially from the market price of the H Shares once trading begins following the [REDACTED]. While we have applied to list our H Shares on the Stock Exchange, we cannot guarantee that the [REDACTED] will lead to the development of an active or liquid trading market for the H Shares. Furthermore, the price and trading volumes of the H Shares may be volatile.

Several factors could influence the market price and trading volume of our H Shares, including: (i) actual or anticipated fluctuations in our financial performance, such as revenue, earnings and cash flow; (ii) changes in analyst recommendations or earnings estimates, as well as general market conditions or developments affecting us or our industry; (iii) potential litigation or regulatory investigations; (iv) the performance of other companies in our sector or other industries, as well as events beyond our control; and (v) the release of lock-up restrictions or sales (or perceived sales) of additional H Shares by us or other shareholders.

Moreover, the securities market has historically experienced periods of significant price and volume fluctuations that are not necessarily tied to the operational performance of specific companies. Such fluctuations — whether driven by market conditions, industry trends or political factors — could adversely impact the market price and trading volume of our H Shares. In particular, the market price and trading volume of our H Shares could experience substantial volatility due to factors beyond our control, such as: (i) variations in our revenue, earnings and cash flow; (ii) announcements of new [REDACTED], strategic partnerships, or acquisitions; (iii) unexpected business interruptions due to natural disasters or power outages; (iv) significant changes in our key personnel or senior management; (v) difficulties in obtaining or maintaining necessary regulatory approvals; (vi) challenges in competing effectively with our competitors; (vii) broader political, economic, financial or social developments; (viii) fluctuations in market prices for our products or raw materials; or (ix) the lifting of restrictions on H share transactions.

Additionally, the Stock Exchange and other securities markets have, at times, experienced significant volatility in both price and trading volume that may not be linked to the performance of any particular company. This broader market volatility could also have a material adverse effect on the market price of our H Shares.

**Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material and adverse effect on the price of our H Shares and our ability to raise additional capital in the future.**

The future sale of a significant number of our H Shares in the public market after the [REDACTED], or the possibility of such sales, by our Controlling Shareholders or [REDACTED] could materially and adversely affect the market price of our H Shares and could materially impair our future ability to raise capital through [REDACTED] of our H Shares. Although such Controlling Shareholders and [REDACTED] have agreed to a lock-up on their H Shares, any major disposal of our H Shares by any of such Controlling Shareholders and [REDACTED] upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our H Shares to fall which could negatively impact our ability to raise equity capital in the future.

**You will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.**

The initial [REDACTED] of our H Shares is higher than the net tangible asset value per Share of the outstanding H Shares issued to our existing Shareholders immediately prior to the [REDACTED]. Therefore, purchasers of our H Shares in the [REDACTED] will experience an immediate dilution in terms of the [REDACTED] net tangible asset value. In addition, we may consider [REDACTED] and [REDACTED] additional H Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. Purchasers of our H Shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional H Shares in the future at a price that is lower than the net tangible asset value per Share.

**There can be no assurance whether and when we will pay dividends in the future.**

No dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. There is no guarantee as to whether we will pay dividends in the future. The declaration and distribution of dividends shall be proposed and formulated by our Board of Directors at their discretion and will be subject to shareholder approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors including, without limitation, our results of operations, financial condition, operating and capital expenditure requirements, distributable profits, future prospects and other factors that our Board of Directors may determine are important. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy and potential [REDACTED] should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined. See "Financial Information — Dividends and Dividend Policy."

**We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], which may not align with your expectations.**

Upon completion of the [REDACTED], and without considering any additional H Shares that may be issued through the exercise of the [REDACTED], our Controlling Shareholders will hold approximately [REDACTED]% of the voting power at our general meetings. This level of control will allow them to exert significant influence over our business operations and corporate decisions, including matters related to mergers, acquisitions, the sale of assets, the issuance of Shares or other securities, dividend payments and our overall management.

There is a risk that our Controlling Shareholders may not act in the best interests of minority Shareholders, and their influence could potentially prevent us from pursuing transactions or opportunities that might benefit the company. Furthermore, this concentration of ownership may also deter or delay any potential change in control of the company, which could limit the ability of Shareholders to receive a premium for their Shares in the event of a sale. As a result, the value of our H Shares could be negatively affected.

**If securities or industry analysts do not publish research on, or publish inaccurate or unfavorable research about our business, the [REDACTED] for our H Shares and [REDACTED] could decline.**

The [REDACTED] and [REDACTED] of our H Shares are likely to be influenced by the opinions and research published by securities or industry analysts. If these analysts fail to regularly cover our business, or if they issue inaccurate, misleading or unfavorable reports, it could significantly reduce [REDACTED] interest in our H Shares. A lack of consistent analyst coverage may lead to decreased visibility within the financial markets, making it more difficult for potential [REDACTED] to obtain independent evaluations of our business and growth prospects which could, in turn, lower the demand for our H Shares.

Additionally, if one or more analysts downgrade their recommendations, lower their price targets, or publish negative assessments of our business, it could result in a sharp decline in the [REDACTED] of our H Shares. Even if our operating results and financial performance meet or exceed expectations, negative media or analyst reports could still damage the market perception of our company.

Moreover, unfavorable comparisons with our competitors or pessimistic forecasts about our industry as a whole could also drive down the value of our H Shares. The impact of such reports could be amplified by high trading volumes, resulting in more pronounced price movements. In some cases, inaccurate or overly critical reports may arise from misinterpretations of our business model or financials, which could cause unnecessary volatility in the market.

In the absence of adequate or favorable coverage, [REDACTED] may be less inclined to purchase or hold our H Shares, leading to reduced liquidity, increased price volatility and, ultimately, a potential decline in the value of your [REDACTED]. This could also affect our ability to raise capital or pursue strategic opportunities in the future, as a lower market valuation may limit our access to financing and other growth-related initiatives.

**There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.**

This document, particularly the sections headed "Industry Overview" and "Business," contains information and statistics relating to the industries in which we operate. Such information and statistics were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We believe that the sources of this information are appropriate source for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

**You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].**

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

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

# WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

## MANAGEMENT PRESENCE IN HONG KONG

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

Since our principal business and operations are in the PRC, all of our executive Directors are based in China as the Board believes it would be more effective and efficient for its executive Directors to be based in a location where our operations are conducted. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong. Therefore, we do not and, for the foreseeable future, will not have executive Directors who are ordinarily resident in Hong Kong for the purposes of satisfying the requirements of Rules 8.12 and 19A.15 of the Listing Rules.

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

(i) we have appointed Mr. Ning Pengfei (寧鵬飛), being the executive Director and the joint company secretary, and Ms. Au Wai Ching (區慧晶) ("**Ms. Au**"), being the joint company secretary, as the authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. Our Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange. Accordingly, our Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time;

(ii) our Authorized Representatives have means contacting all Directors promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;

(iii) each Director has provided our Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone number, office phone number and e-mail addresses, if any). In the event that any Director expects to travel or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to our Authorized Representatives;

(iv) each Director who does not ordinarily reside in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and

(v) we have appointed Guoyuan Capital (Hong Kong) Limited as our compliance advisor (the "**Compliance Advisor**") upon [REDACTED] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The Compliance Advisor will have access at all times to our Authorized Representatives, our Directors, our Supervisors and the other senior management and act as the additional channel of communication with the Stock Exchange and answer enquiries from the Stock Exchange.

## APPOINTMENT OF JOINT COMPANY SECRETARIES

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

Note 1 to Rule 3.28 of the Listing Rules provides that, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Chartered Governance Institute;

(ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

We have appointed Mr. Ning Pengfei (寧鵬飛) ("**Mr. Ning**") as one of our joint company secretaries. He has a thorough understanding of the operations of the Board and our Company and has gained experience in handling corporate governance and general administrative matters relating to our Company. Although he presently does not possess the qualifications required under Rules 3.28 and 8.17 of the Listing Rules, we would like to appoint him as our joint company secretary due to his past experience within our Group and his thorough understanding of the internal administration and business operations of our Group. In addition, we have appointed Ms. Au as the other joint company secretary to assist Mr. Ning in discharging the duties of a company secretary. Ms. Au is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Au therefore meets the qualification requirements under Rules 3.28 and 8.17 of the Listing Rules. See "Directors, Supervisors and Senior Management" for further information regarding the biographies of Mr. Ning and Ms. Au.

We have applied to the Stock Exchange for, and the Stock Exchange [has] granted to our Company, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules for an initial period of three years from the [REDACTED] on the basis of the following proposed arrangements:

(i) Mr. Ning will endeavour to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules, and seminars organized by the Stock Exchange for [REDACTED] from time to time;

(ii) both Mr. Ning and Ms. Au have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investor relations, as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;

(iii) Ms. Au will assist Mr. Ning to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary;

(iv) Ms. Au will communicate regularly with Mr. Ning on matters relating to corporate governance, the Listing Rules, and any other laws and regulations which are relevant to us and our affairs. Ms. Au will work closely with, and provide assistance to, Mr. Ning in the discharge of his duties as a company secretary, including organizing our Board meetings and Shareholders' general meetings;

(v) prior to the expiry of Mr. Ning's initial term of appointment as the company secretary of our Company, our Company will evaluate his experience in order to determine if he has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether ongoing assistance should be arranged so that Mr. Ning's appointment as the company secretary of the Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules;

(vi) our Company has appointed Guoyuan Capital (Hong Kong) Limited as its Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules, which will act as the additional communication channel with the Stock Exchange and provide professional guidance and advice to our Company and Mr. Ning as to compliance with the Listing Rules and all other applicable laws and regulations; and

(vii) the waiver may be revoked with immediate effect if our Company commits material breaches of Rules 3.28 and 8.17 of the Listing Rules.

Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Mr. Ning, having had the benefit of Ms. Au's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

| Name | Residential address | Nationality |
|---|---|---|
| **DIRECTORS** | | |
| **Executive Directors** | | |
| Mr. Yang Fan (楊帆) | Room 202, Unit 1, Block 21<br>Runan Estate, Yinhu Road<br>Jingshu District<br>Wuhu City<br>Anhui Province<br>PRC | Chinese |
| Mr. Ning Pengfei (寧鵬飛) | Room 802, Block B<br>259 Renmin Road<br>Jinghu District<br>Wuhu City<br>Anhui Province<br>PRC | Chinese |
| Ms. Hu Yan (胡燕) | 2 Wuning Road<br>Jinghu District<br>Wuhu City<br>Anhui Province<br>PRC | Chinese |
| Mr. Gou Bin (苟斌) | 5–3,12 Weifeng<br>Nanqiao Estate<br>Jiangbei District<br>Chongqing<br>PRC | Chinese |
| Mr. Mei Huixiang (梅惠祥) | 17, Lane 232<br>Jiashan Road<br>Xuhui District<br>Shanghai<br>PRC | Chinese |

**Non-executive Director**

| | | |
|---|---|---|
| Mr. Xu Lianzheng (徐連政) | Room 1501, No.8<br>Lane 99, Dongxiu Road<br>Pudong New Area<br>Shanghai<br>PRC | Chinese |

**Independent non-executive Directors**

| | | |
|---|---|---|
| Mr. Liu Feng (劉峰) | 422 Siming South Road<br>Siming District<br>Xiamen City<br>Fujian Province<br>PRC | Chinese |
| Mr. Xiong Hui (熊輝) | 1/F, No. 12 Kak Tin Village<br>5th Street<br>Shatin<br>New Territories<br>Hong Kong | Chinese |
| Mr. Lu Jian (陸健) | Room 602, No. 13<br>Laoqingyuan<br>Beitang District<br>Wuxi City<br>Jiangsu Province<br>PRC | Chinese |

## SUPERVISORS

| | | |
|---|---|---|
| Mr. Hu Xiang (胡翔) | 14 Qingnian Road<br>Yueyanglou District<br>Yueyang City<br>Hunan Province<br>PRC | Chinese |
| Mr. Li Bing (李兵) | 501, Building 1<br>City West Public Housing<br>Fanchang District<br>Wuhu City<br>Anhui Province<br>PRC | Chinese |
| Ms. Zhang Wenxia (張文霞) | Room 201, Unit 3<br>Building 2<br>City of Light<br>Jiujiang District<br>Wuhu City<br>Anhui Province<br>PRC | Chinese |

Please see "Directors, Supervisors and Senior Management" of this document for further information of our Directors and Supervisors.

## PARTIES INVOLVED IN THE [REDACTED]

| | |
|---|---|
| **Joint Sponsors** | **CITIC Securities (Hong Kong) Limited**<br>18/F, One Pacific Place<br>88 Queensway<br>Hong Kong |
| | **Guoyuan Capital (Hong Kong) Limited**<br>17th Floor, Three Exchange Square<br>8 Connaught Place<br>Central<br>Hong Kong |
| **[REDACTED]** | [REDACTED] |

| | |
|---|---|
| | [REDACTED] |
| **[REDACTED]** | [REDACTED] |
| | [REDACTED] |
| **Legal advisors to our Company** | *As to Hong Kong law*<br>**King & Wood Mallesons**<br>13/F, Gloucester Tower<br>The Landmark<br>15 Queen's Road Central<br>Central<br>Hong Kong |
| | *As to PRC law*<br>**AllBright Law Offices**<br>9, 11, 12/F, Shanghai Tower<br>No. 501 Yincheng Middle Road<br>Pudong New Area<br>Shanghai<br>PRC |
| **Legal advisors to the Joint Sponsors and the [REDACTED]** | *As to Hong Kong law*<br>**Clifford Chance**<br>27/F, Jardine House<br>One Connaught Place<br>Central<br>Hong Kong |
| | *As to PRC law*<br>**Jingtian & Gongcheng**<br>34/F, Tower 3, China Central Place<br>77 Jianguo Road<br>Chaoyang District<br>Beijing<br>PRC |

| | |
|---|---|
| **Auditor and Reporting Accountant** | **Ernst & Young**<br>*Certified Public Accountants*<br>*Registered Public Interest Entity Auditor*<br>27/F, One Taikoo Place<br>979 King's Road<br>Quarry Bay<br>Hong Kong |
| **Industry Consultant** | **Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**<br>2504 Wheelock Square<br>1717 Nanjing West Road<br>Shanghai<br>PRC |
| **[REDACTED]** | [REDACTED] |

# CORPORATE INFORMATION

| | |
|---|---|
| **Registered Office** | 3 Zhongjiang Road<br>Economic Development Zone<br>Fanchang District, Wuhu City<br>Anhui Province<br>PRC |
| **Headquarters and Principal Place of Business in the PRC** | 3 Zhongjiang Road<br>Economic Development Zone<br>Fanchang District, Wuhu City<br>Anhui Province<br>PRC |
| **Principal Place of Business in Hong Kong** | 40/F, Dah Sing Financial Centre<br>248 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Company's Website** | **www.liuliumei.com**<br>*(The information contained in this website does not form part of this document)* |
| **Joint Company Secretaries** | **Mr. Ning Pengfei (寧鵬飛)**<br>Room 802, Block B<br>259 Renmin Road, Jinghu District<br>Wuhu City<br>Anhui Province<br>PRC<br><br>**Ms. Au Wai Ching (區慧晶)**<br>(a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)<br>40th Floor, Dah Sing Financial Centre<br>248 Queen's Road East<br>Wanchai<br>Hong Kong |

# CORPORATE INFORMATION

| | |
|---|---|
| **Authorized Representatives** | **Mr. Ning Pengfei (寧鵬飛)**<br>Room 802, Block B<br>259 Renmin Road, Jinghu District<br>Wuhu City<br>Anhui Province<br>PRC |
| | **Ms. Au Wai Ching (區慧晶)**<br>(a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)<br>40th Floor, Dah Sing Financial Centre<br>248 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Audit Committee** | Mr. Liu Feng (劉峰) *(Chairperson)*<br>Mr. Xu Lianzheng (徐連政)<br>Mr. Lu Jian (陸健) |
| **Remuneration and Appraisal Committee** | Mr. Liu Feng (劉峰) *(Chairperson)*<br>Mr. Xiong Hui (熊輝)<br>Mr. Yang Fan (楊帆) |
| **Nomination Committee** | Mr. Lu Jian (陸健) *(Chairperson)*<br>Mr. Xiong Hui (熊輝)<br>Ms. Hu Yan (胡燕) |
| **Compliance Advisor** | **Guoyuan Capital (Hong Kong) Limited**<br>17th Floor, Three Exchange Square<br>8 Connaught Place<br>Central<br>Hong Kong |
| **[REDACTED]** | [REDACTED] |
| **Principal Banks** | **Bank of China Fanchang County Branch**<br>Wei Er Road<br>Fanchang Economic Development Zone<br>Wuhu City<br>Anhui Province<br>PRC |

*The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED].*

*We believe that the sources of this information are appropriate source for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.*

## OVERVIEW OF CHINA'S SNACK FOOD INDUSTRY

### Overview of Snack Food Industry

Snack food refers to snacks and desserts typically enjoyed during leisure time or between meals as a quick, convenient option. To accommodate various consumption scenarios, snack foods are generally packaged in small, portable portion. Based on the ingredients used, snack food can be categorized into fruit snacks, jelly, confectionery, chocolate, roasted seeds and nuts, crispy snack foods, bread, cakes and pastries, biscuits, meat and aquatic animal snacks, seasoned flour products, vegetable snacks and dried tofu snacks.

The market size of China's snack food industry increased from RMB774.9 billion in 2020 to RMB933.0 billion in 2024, at a CAGR of 4.8%. Driven by the rising consumer health awareness and ongoing product innovation toward health-conscious snack foods, the snack food industry is expected to reach RMB1,141.0 billion in 2029, at a CAGR of 4.1%.

In 2024, the annual global per capita consumption on snack food amounted to RMB1,188.9, significantly higher than China's annual per capita consumption on snack food of RMB662.5, and the gap is particularly notable when compared with developed countries. For instance, the annual per capita consumption on snack food in the U.S., the U.K., Japan and South Korea reached RMB7,578.7, RMB6,543.9, RMB3,524.6 and RMB1,809.6, respectively. This disparity reveals the substantial growth potential for snack food industry and extensive future demand for snack food in China, illustrating ample opportunities for snack food providers to expand and meet growing demands of Chinese consumers.

**Market Size of China's Snack Food Industry by Retail Sales Value by Product Types, 2020–2029E**

| | Retail Sales Value (RMB Billion) | | | | CAGR (%) | |
|---|---|---|---|---|---|---|
| **Item** | **2020** | **2024** | **2025E** | **2029E** | **2020–2024** | **2025E–2029E** |
| Fruit snacks | 37.8 | 52.0 | 56.0 | 78.0 | 8.3% | 8.6% |
| Jelly | 17.8 | 31.0 | 35.0 | 57.0 | 14.9% | 13.0% |
| Confectionery | 85.3 | 93.0 | 96.0 | 104.0 | 2.2% | 2.0% |
| Chocolate | 64.1 | 68.0 | 70.0 | 75.0 | 1.5% | 1.7% |
| Roasted seeds and nuts | 141.4 | 161.0 | 165.0 | 184.0 | 3.3% | 2.8% |
| Crispy snack foods | 87.6 | 102.0 | 104.0 | 112.0 | 3.9% | 1.9% |
| Bread, cakes and pastries | 82.9 | 102.0 | 107.0 | 127.0 | 5.3% | 4.4% |
| Biscuits | 77.8 | 88.0 | 90.0 | 98.0 | 3.1% | 2.2% |
| Meat and aquatic animal snacks | 78.7 | 98.0 | 102.0 | 118.0 | 5.6% | 3.7% |
| Seasoned flour products | 41.2 | 56.0 | 60.0 | 80.0 | 8.0% | 7.5% |
| Vegetable snacks | 24.2 | 39.0 | 42.0 | 54.0 | 12.7% | 6.5% |
| Dried tofu snacks | 16.8 | 21.0 | 22.0 | 27.0 | 5.7% | 5.3% |
| Others | 19.3 | 22.0 | 23.0 | 27.0 | 3.3% | 4.1% |
| **China's Snack Food Industry** | **774.9** | **933.0** | **972.0** | **1,141.0** | **4.8%** | **4.1%** |

*Source:* *National Bureau of Statistics, Interviews with Industry Experts, Frost & Sullivan Report*

## Market Drivers and Trends Analysis of China's Snack Food Industry

### *Emergence of Nutritious Snack Food*

With the growing per capita expenditure on snack food and upgrading of dietary structures, Chinese consumers are increasingly focused on health benefits and nutritional value of snack food. This market trend has driven product innovation and market expansion in the snack food industry. For instance, green plums are rich in vitamins, organic acids and minerals, which can promote digestion and enhance immunity. Produced using advanced processes, green-plum-based fruit snacks preserve their flavor and nutritional content. This aligns with consumer demand for natural, minimally processed and healthy foods.

### *Diversification of Consumption Scenarios*

The ever-faster pace of life has led to a sharp increase in the demand for convenient, ready-to-eat snacks suitable for various consumption scenarios. As consumption scenarios diversify, such as in between meals, in offices, during travel and at family gatherings, the frequency and variety of snack consumption are gradually expanding. In offices, busy professionals often need reinvigorating snacks that can quickly replenish energy, alleviating hunger and enhancing work efficiency during hectic intervals. During travel, people are in different environments and states, leading to more diverse snack needs. These snacks are required to be convenient to carry and able to satisfy the spontaneous needs that may arise throughout the journey.

***Expansion of Sales Channels***

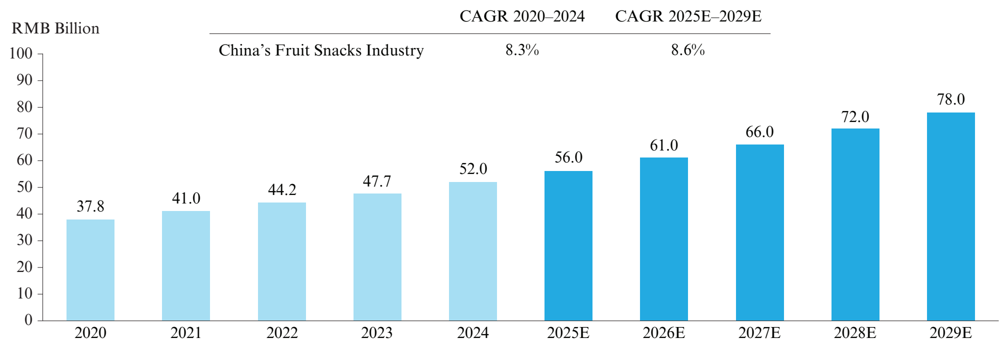
The recent rise of e-commerce, live commerce and new retail models has opened up new growth opportunities for the sales of snack food. Major online platforms enable convenient shopping methods, extensive user reach and efficient logistics and delivery systems to enable snack foods to overcome geographical barriers and quickly reach consumers nationwide and even globally. In addition, snack specialty stores have become increasingly popular as they cater to snack food consumers' demand for health-consciousness, sustainability and cultural exploration while offering personalized shopping experiences and innovative flavors. Thus, the market size of China's snack food industry by sales through snack specialty stores reached 7.8% in 2024, and is expected to grow to 10.3% in 2029, maintaining the highest growth rate among offline sales channels.

**Overview of Fruit Snacks Industry**

Fruit snacks, which encompass dried fruit, freeze-dried fruit, processed fruit snacks and fruit-based bars or bites, have become widely popular over the past few years, as consumers increasingly seek healthier, more natural alternatives to traditional snack foods.

Unlike traditional snacks that use artificial additives, fruit snacks are typically rich in vitamins, fiber, antioxidants, organic acids and other natural nutrients, thereby appealing to a broad demographic of health-conscious consumers. In addition, fruit snacks are often marketed as portable, on-the-go options that seamlessly fit into the fast-paced lifestyles. The market size of China's fruit snacks industry by retail sales value increased from RMB37.8 billion in 2020 to RMB52.0 billion in 2024, at a CAGR of 8.3%, and the market size is expected to reach RMB78.0 billion in 2029, growing at a CAGR of 8.6% from 2025 to 2029.

**Market Size of China's Fruit Snacks Industry by Retail Sales Value, 2020–2029E**




*Source: Interviews with Industry Experts, Frost & Sullivan Report*

**Value Chain Analysis of Fruit Snacks Industry**

The upstream of the China's fruit snacks industry mainly includes raw material suppliers who are responsible for fruit breeding and cultivation and raw material supply. To ensure the quality of raw material, leading manufacturers often build production bases near major raw material sourcing regions and establish long-term relationships with local farmers. Modern farming techniques, such as precision agriculture and pest management, not only improve the production efficiency of raw materials but also enhance their nutritional content and taste, thereby meeting the growing market demand.

The midstream of the industry primarily includes snack food manufacturers who are responsible for snack food processing and production. Technological advancements in food processing, such as automation and aseptic fresh-lock technology, have optimized the processing of fruit snacks by preventing microbial contamination and extending shelf life without preservatives. Leading manufacturers are also developing innovative packaging technologies to enhance convenience, preserve freshness and cater to the fast-paced lifestyles of modern consumers.

The downstream of the industry includes both end consumers and various sales channels, such as traditional retail, supermarkets, snack specialty stores, convenience stores and e-commerce platforms. With the rapid development of e-commerce, sales channels have become more diversified, offering consumers easy access to various fruit snacks. Companies enhance market visibility and share through brand building and marketing activities, collaborating with well-known brands for cross-promotions or providing customized products for key downstream retailers.

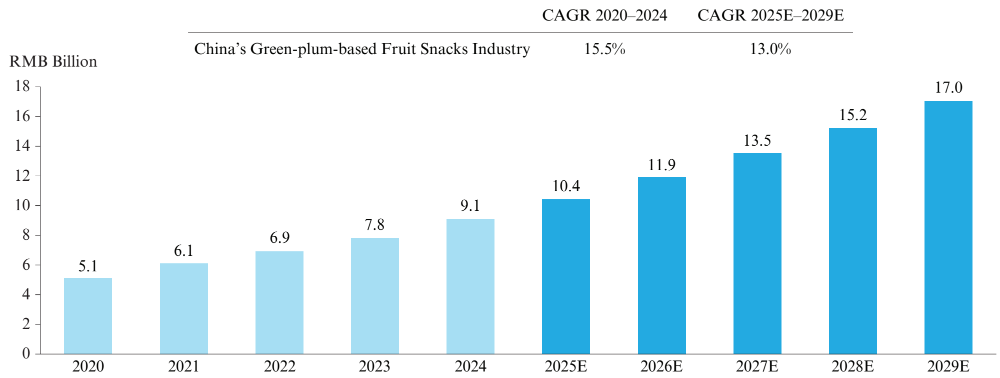
**Overview of Green-plum-based Fruit Snacks Industry**

Green plum is recognized for its efficacy in treating cholera, vomiting, diarrhea, dysentery, thirst and typhoid fever, according to the "Compendium of Materia Medica" (《本草綱目》). A processed form of green plum, smoked plum, has further been included in the National Health Commission's "food and medicine homologous" (《藥食同源》) directory. Accordingly, green-plum-based fruit snacks offer various function benefits, including (i) promoting digestive health by stimulating gastric juice secretion and balancing intestinal pH through various kinds of naturally occurring organic acids, (ii) delivering antioxidant support via vitamins C, polyphenols and organic acids, (iii) contributing to blood sugar regulation, and (iv) aiding weight control due to their low calorie and high fiber content. Driven by green plums' abundant nutrients and rich cultural heritage, the market size of China's green-plum-based fruit snacks industry by retail sales value increased from RMB5.1 billion in 2020 to RMB9.1 billion in 2024, with a CAGR of 15.5%.

The globalization of green-plum-based fruit snacks underscores the international appeal of traditional Chinese cuisine. Cherished for their medicinal properties, flavor and nutritional value, green plums have also gained widespread acceptance as an oriental fruit in Japan, South Korea and other East Asian countries. In Japan, where their cuisine culture emphasizes low-fat and low-calorie diets, green plums are highly valued and often processed into dried plums. Enhanced through Japanese craftsmanship and technology, especially in preservative-free applications, green-plum-based snacks enjoy widespread popularity in

Japan. As a result, Japan's per capita annual consumption of green-plum-based snacks exceeds China's by more than 70 times. The disparity demonstrates the substantial, unfilled market potential for green-plum-based fruit snacks in China. Driven by the increasing consumer spending and market promotion, Chinese consumers' awareness and acceptance of green-plum-based fruit snacks continue to rise, leading to the market growth. The market size of China's green-plum-based fruit snacks industry by retail sales value is projected to reach RMB17.0 billion in 2029, growing from RMB10.4 billion in 2025 with a CAGR of 13.0%.

**Market Size of China's Green-plum-based Fruit Snacks Industry, 2020–2029E**



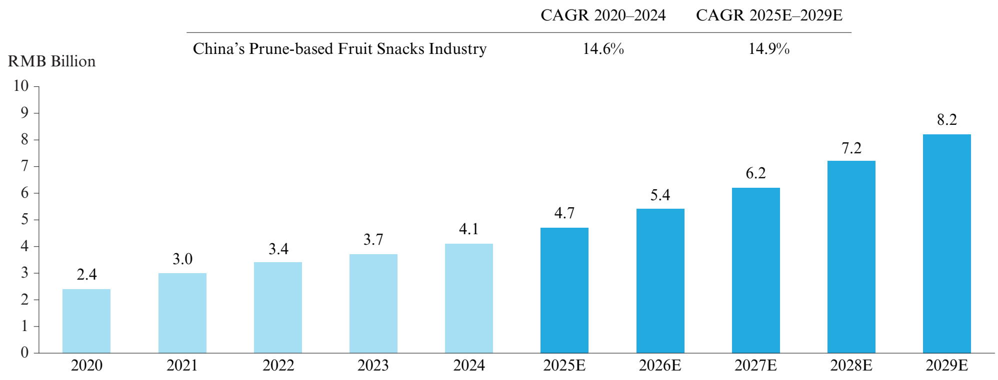

*Source: Interviews with Industry Experts, Frost & Sullivan Report*

**Overview of Prune-based Fruit Snacks Industry**

Prune-based fruit snacks, recognized for their high dietary fiber, antioxidants and essential vitamins and minerals, promote digestive health and overall well-being. Their worldwide popularity, particularly in countries such as France, the U.S. and other Western and Eastern markets, stems not only from their health benefits but also their versatility in cooking and baking scenarios. With a long shelf life and natural nutritional value, prune-based fruit snacks continue to appeal to health-conscious consumers and those seeking natural alternatives to processed snack foods.

The China's prune-based fruit snacks industry has significant growth potential. The market size of China's prune-based fruit snacks industry by retail sales value increased from RMB2.4 billion in 2020 to RMB4.1 billion in 2024, at a CAGR of 14.6%. Driven by Chinese consumers' rising health awareness, continuous product innovation and shifting consumers' preference toward natural and functional snack food, the prune-based fruit snacks industry is expected to increase from RMB4.7 billion in 2025 to RMB8.2 billion in 2029, at a CAGR of 14.9%.

**Market Size of China's Prune-based Fruit Snacks Industry, 2020–2029E**

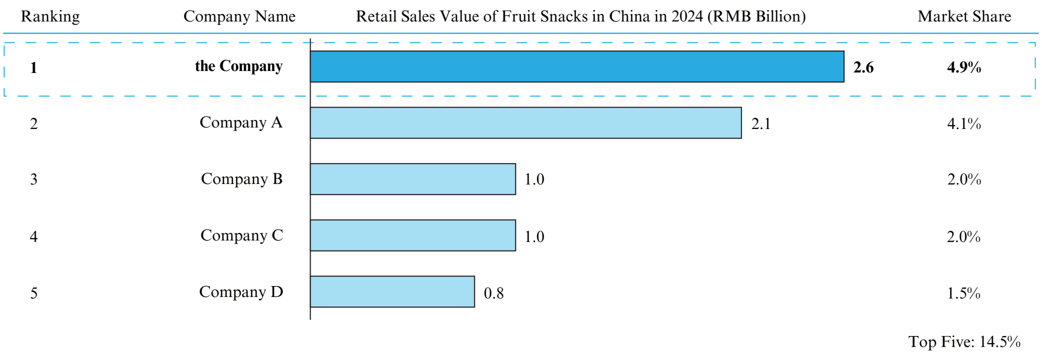



*Source: Interviews with Industry Experts, Frost & Sullivan Report*

### Competitive Landscape of China's Fruit Snacks Industry

The market size of China's fruit snacks industry by retail sales value reached RMB52.0 billion in 2024, with the top five market players accounting for 14.5% of the market share. In 2024, the Company ranked first in terms of retail sales value in China's fruit snacks industry, representing a market share of 4.9%.

**Top Five Companies in China's Fruit Snacks Industry by Retail Sales Value, 2024**



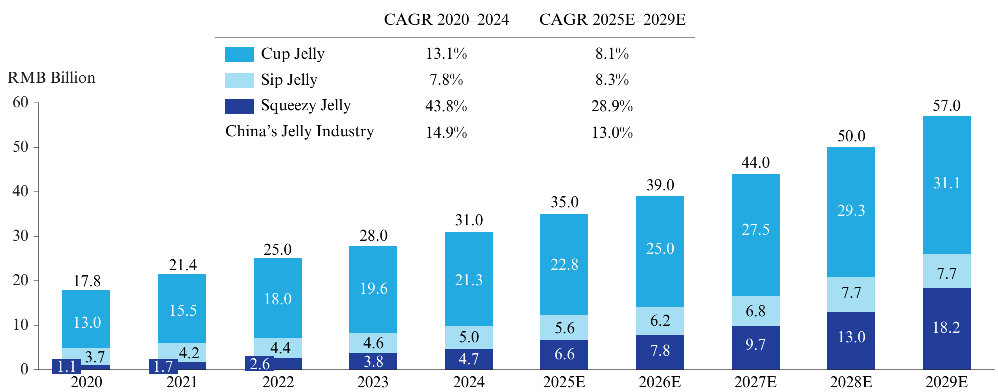

*Source: Annual Reports of Listed Companies, Interviews with Industry Experts, Frost & Sullivan Report*

### Overview of Jelly Industry

Jelly is a gelatinous, sweet food typically made from fruit nectar, sugar, thickening agents such as gelatin, carrageenan or agar. These key ingredients are combined and processed to produce a smooth, transparent texture with a firm yet pliable consistency. Commonly enjoyed as a convenient dessert or snack option, jelly exists in various flavors, which often reflect natural fruity flavors. Jelly's versatile flavors and pliable texture make it a popular treat across diverse markets.

The China's jelly market is expanding steadily, driven by the ever-evolving consumer preferences, growing demand for convenient snacks and continuous product innovations toward natural and health-conscious jelly. Based on ingredients and processing methods, Jelly can be classified into different types. In particular, featuring ease to consume and portable size, squeezy jelly has become the fastest growing category, appealing to younger consumers who seek fun and interactive snacking experiences. Additionally, squeezy jelly reflects innovative flavors and incorporates natural ingredients to align with growing consumer demand for high-quality, novel and health-conscious jelly products. The market size of China's jelly industry by retail sales value increased from RMB17.8 billion in 2020 to RMB31.0 billion in 2024 at a CAGR of 14.9%, and the market is expected to reach RMB57.0 billion in 2029, at a CAGR of 13.0% from 2025 to 2029. Specifically, the squeezy jelly market increased from RMB1.1 billion in 2020 to RMB4.7 billion in 2024 at a CAGR of 43.8%, and the market is expected to reach RMB18.2 billion in 2029 at a CAGR of 28.9% from 2025 to 2029, demonstrating the enormous growth potential of the market.

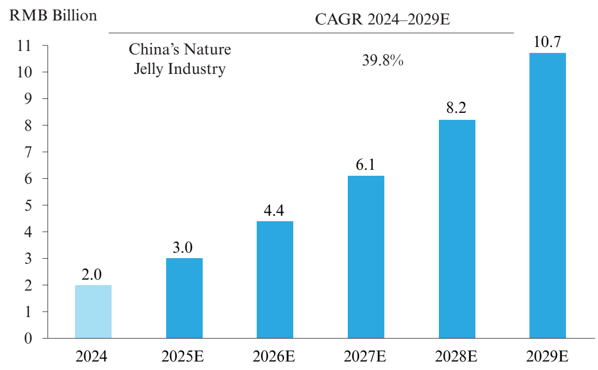
**Market Size of China's Jelly Industry by Retail Sales Value by Edible Methods, 2020–2029E**




*Source: Interviews with Industry Experts, Frost & Sullivan Report*

To capture consumers' rising demand for health-conscious snacking options, jelly manufacturers are gradually shifting their product development focus toward healthier and more natural jelly products. Jelly manufacturers are increasingly adopting natural fruit nectars as raw materials while avoiding preservatives, artificial colorings and flavors to produce natural jelly. These innovations have resonated particularly well with young sters, children and white-collar consumers seeking guilt-free and natural food products. The market size of China's natural jelly industry by retail sales value is expected to reach RMB10.7 billion in 2029, growing from RMB2.0 billion in 2024 at a CAGR of 39.8%.

**Market Size of China's Natural Jelly Industry by Retail Sales Value, 2024–2029E**

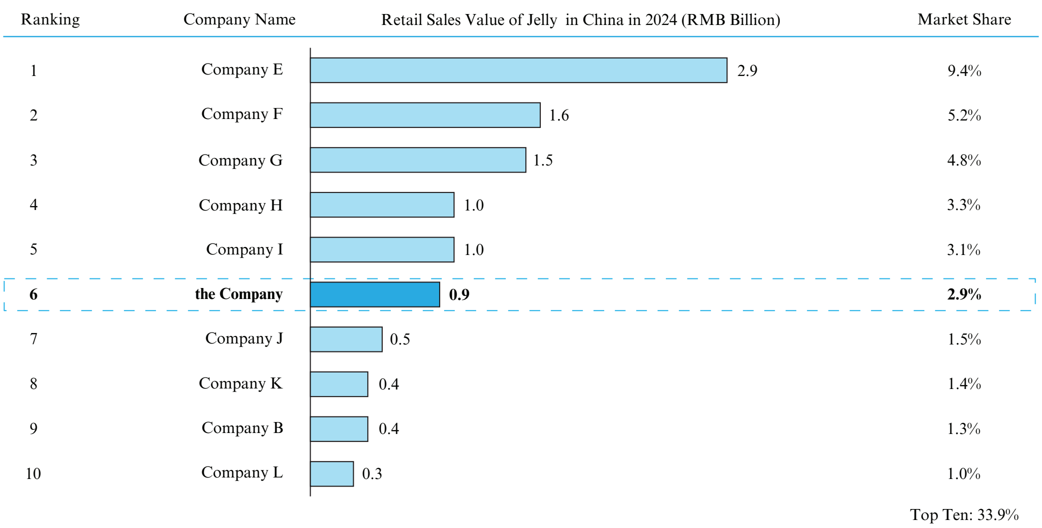



*Source: Interviews with Industry Experts, Frost & Sullivan Report*

## Competitive Landscape of China's Jelly Industry

The China's jelly industry is relatively fragmented and competitive. The market size of China's jelly industry by retail sales value reached RMB31.0 billion in 2024, with the top ten companies accounting for 33.9% of the market share. The Company ranked sixth in terms of retail sales value in China's jelly industry, representing a market share of 2.9% in 2024.

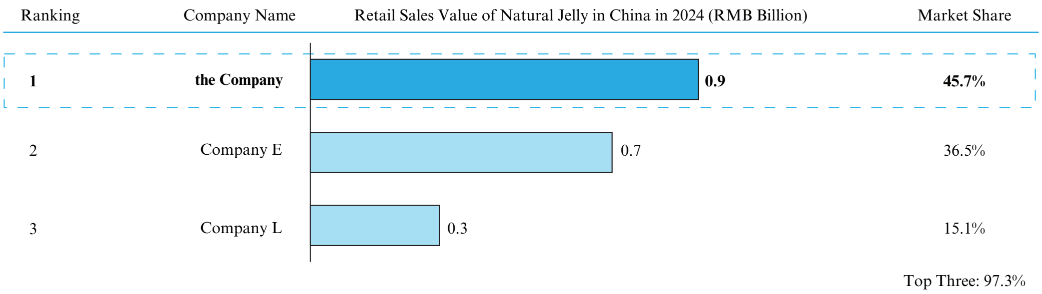
**Top Ten Companies in China's Jelly Industry by Retail Sales Value, 2024**




*Source: Annual Reports of Listed Companies, Interviews with Industry Experts, Frost & Sullivan Report*

Due to high sourcing costs, seasonality of raw materials, technical complexities in manufacturing and regulatory complexities, the Company is one of the few companies that has successfully pivoted into natural jelly industry. In 2024, the Company ranked first in China's natural jelly industry in terms of retail sales value, representing a market share of 45.7%.

**Top Three Companies in China's Natural Jelly Industry by Retail Sales Value, 2024**




*Source: Annual Reports of Listed Companies, Interviews with Industry Experts, Frost & Sullivan Report*

## OVERVIEW OF CHINA'S PLUM-BASED PRODUCTS INDUSTRY

### Definition and Classification of Plum-based Products

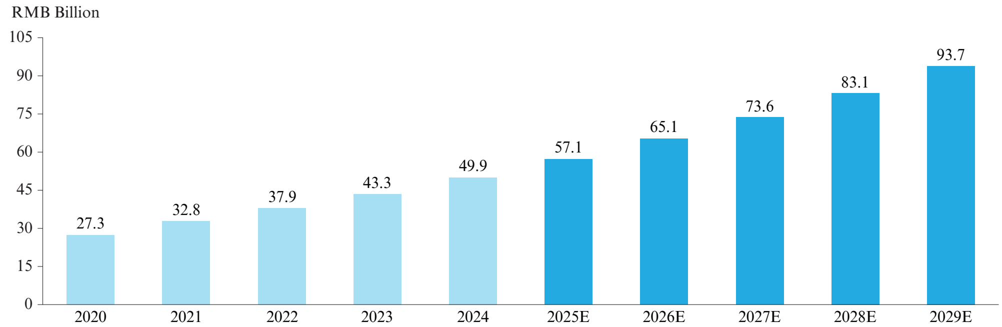
Sour products can stimulate the palate by providing a distinctive freshness and pronounced flavor impact, appealing to a wide range of consumers. To better cater to the increasing consumer demand for complex flavors, snack food brands are combining products with sour flavor profiles to deliver sophisticated taste experience. Attributed to naturally occurring organic acids, plum-based products stand out among sour products for their comparatively mild acidity and rich complexity, as well as their natural health benefits such as regulating the stomach, promoting digestion and offering antioxidant properties. Additionally, processed through diversified manufacturing techniques, plum-based products cater to various consumption patterns, becoming one of the most popular and promising sour foods.

Plum-based products encompass products manufactured with plums while retaining plums' characteristic flavor and nutritional value through processing methods. Typically, the processing of plum-based products include flavoring, drying, candied preparation and fermentation, yielding diversified flavors and forms. Plum-based products typically maintain the sour taste of plums while also featuring salty, sweet or other flavors. In terms of raw material, plum-based products can be classified into green-plum-based products, prune-based products and other products. In terms of product type, plum-based products can be classified into fruit snacks, jelly, beverage and wine, confectionery and plum-based condiments.

### Market Size of China's Plum-based Products Industry

To meet the diverse demands of the market, the range of plum-based products is continually expanding. In addition to traditional offerings like fruit snacks, various new products have emerged, such as plum-based jelly and gummy. These innovations not only fulfill consumer needs for functionality and convenience but also attract the attention of younger demographics. Moreover, plum-based products are gradually making their way into the realm of everyday condiments, positioning themselves as popular healthy seasoning options in the kitchen. As consumers increasingly prioritize food quality and seek personalized experiences, there is a growing demand for complex flavor profiles in plum-based products. Thus, the market size of plum-based products industry by retail sales value increased from RMB27.3 billion in 2020 to RMB49.9 billion in 2024 with a CAGR of 16.3%. Looking forward, the market size of China's plum-based products industry by retail sales value is expected to increase from RMB57.1 billion in 2025 to RMB93.7 billion in 2029, representing a CAGR of 13.2%.

**Market Size of China's Plum-based Products Industry by Retail Sales Value by Product Types, 2020–2029E**



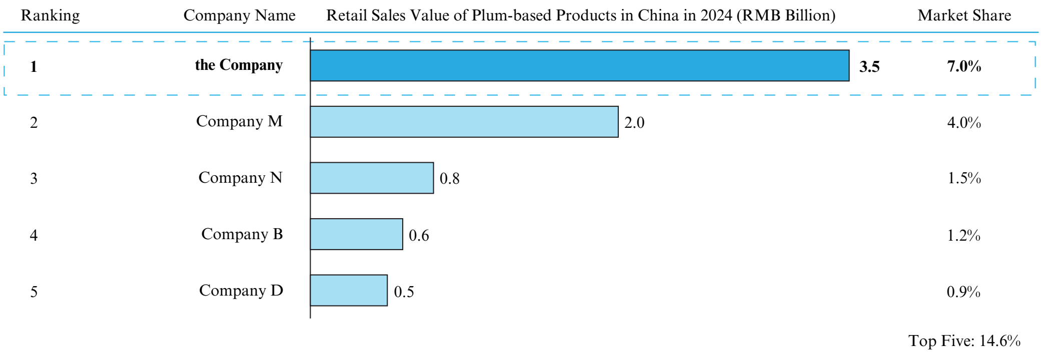

| Item | Retail Sales Value (RMB Billion) | | | | CAGR (%) | |
|---|---|---|---|---|---|---|
| | 2020 | 2024 | 2025E | 2029E | 2019–2024 | 2025E–2029E |
| Fruit Snack | 7.7 | 13.5 | 15.5 | 25.6 | 15.0% | 13.5% |
| Jelly | 3.5 | 7.2 | 8.4 | 14.8 | 19.3% | 15.3% |
| Wine & Beverage | 12.6 | 24.3 | 27.8 | 44.7 | 17.8% | 12.5% |
| Confectionary | 0.8 | 1.1 | 1.2 | 2.2 | 7.3% | 16.3% |
| Seasoning | 0.4 | 0.6 | 0.7 | 1.0 | 10.9% | 10.9% |
| Others | 2.2 | 3.3 | 3.6 | 5.5 | 10.0% | 11.0% |
| **China's Plum-based Products Industry** | 27.3 | 49.9 | 57.1 | 93.7 | 16.3% | 13.2% |

*Source: Interviews with Industry Experts, Frost & Sullivan Report*

**Competitive Landscape of China's Plum-based Products Industry**

The China's plum-based products industry is relatively fragmented and competitive, with over thousands of market participants. The market size of China's plum-based products industry by retail sales value reached RMB49.9 billion in 2024, with the top five companies accounting for 14.6% of the market share. In 2024, the Company ranked first in terms of retail sales value in plum-based product industry, representing a market share of 7.0%, which exceeded the combination of the market shares of the second and third-largest market players.

**Top Five Companies in China's Plum-based Products Industry by Retail Sales Value, 2024**




*Source: Annual Reports of Listed Companies, Interviews with Industry Experts, Frost & Sullivan Report*

The following sets forth the profile of the companies in the ranking:

*Company A, established in 1992 and headquartered in Zhengzhou, Henan, primarily engages in the research, procurement, production and sales of healthy foods, including red dates, freeze-dried products, nuts and dried fruits.*

*Company B, established in 2007 and headquartered in Hangzhou, Zhejiang, focuses on the research, development, processing, production, trade, warehousing and logistics of snack foods.*

*Company C, established in 1989 and headquartered in Weifang, Shandong, continuously innovates, researches and integrates with traditional hawthorn food products as its main line.*

*Company D, established in 2010 and headquartered in Wuhan, Hubei, is a brand operation enterprise that leverages digital technology to integrate supply chain management and an omnichannel sales system, focusing on high-quality snack food business.*

*Company E, established in 1992 and headquartered in Shenzhen, Guangdong, is engaged in production and sale of four major product lines: jelly puddings, seaweed, milk tea and chocolate biscuits.*

*Company F, established in 1983 and headquartered in Shanghai, is one of famous food and beverage manufacturers in China.*

*Company G, established in 2000 and headquartered in Quanzhou, Fujian, is a famous snack food supplier in the jelly products market in China.*

*Company H, established in 1990 and headquartered in Quanzhou, Fujian, is engaged in the production and sale of jelly and shrimp chips, seasonings, rice wine and other related snack food products.*

*Company I, established in 1998 and headquartered in Shenzhen, is committed to the production of snack foods such as jelly and pudding.*

*Company J, established in 2005 and headquartered in Changsha, Hunan, integrates research and development, production and sales across the entire snack food industry chain and the deep processing of agricultural products.*

*Company K, established in 2012 and headquartered in Wuhu, Anhui, is a snack enterprise specializing in the research, development, production and sales of a wide variety of products.*

*Company L, established in 2020 and headquartered in Shanghai, is committed to providing consumers with snacks that are both healthy and tasty.*

*Company M, established in 2011 and headquartered in Chongqing, is a new wine and beverage group with low-alcohol wine as the core.*

*Company N, established in 1992 and headquartered in Tianjin, is mainly engaged in the production and management of instant noodles, drinks, cakes and related supporting industries.*

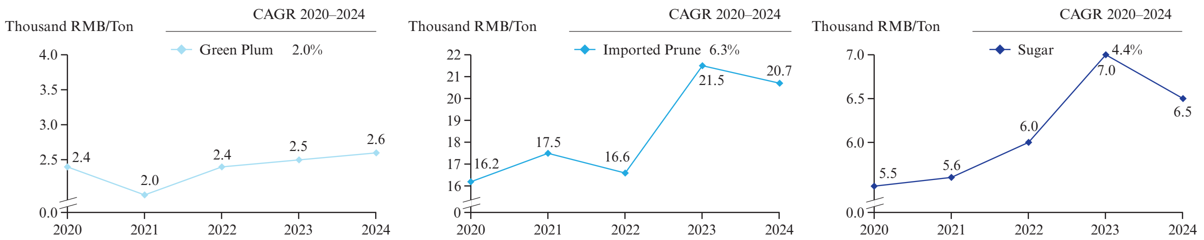
## RAW MATERIAL PRICE ANALYSIS

The major raw materials for plum-based products primarily consist of green plums, prunes and auxiliary raw materials, such as sugar and salt. The price of green plum is primarily influenced by weather and market conditions. Green plums can be significantly affected by weather, which causes price fluctuations. Additionally, the plum-based product manufacturers' inventory level can also impact the price of green plums, resulting in fluctuations in procurement costs. From 2020 to 2024, the price of green plum in China increased from RMB2,400 per ton to RMB2,600 per ton, at a CAGR of 2.0%.

Prune-based products mainly use the prunes imported from Chile, France and the United States. The price of prune increased in recent years due to the adverse weather conditions, reduced yields and increased global demand. Additionally, higher transportation costs, logistics disruptions and increased level of inflation also contributed to the price surge of imported prunes. From 2020 to 2024, the price of imported prune increased from RMB16,200 per ton RMB20,700 per ton, at a CAGR of 6.3%.

The price of auxiliary raw materials, such as sugar, is primarily influenced by the global supply and weather conditions. As one of the world's major sugar-sourcing countries, the price of white sugar in China was greatly affected by that in the international market. Therefore, due to the rising price of white sugar globally, from 2020 to 2024, the price of white sugar in China increased from RMB5,500 per ton to RMB6,500 per ton, at a CAGR of 4.4%.

**Average Price of China Green-plum, Imported Prune and White Sugar, 2020–2024**




*Source: General Administration of Customs of PRC, Interviews with Industry Experts, Frost & Sullivan Report*

## SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on snack food and plum-based products industry and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB400,000 to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements primarily include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables.

The Frost & Sullivan Report is compiled based on the following assumptions: (i) the social, economic and political environment of the globe and mainland China is likely to remain stable in the forecast period; and (ii) related industry key drivers are likely to drive the market in the forecast period.

## I. REGULATION RELATING TO FOREIGN INVESTMENT

### 1. The Company Law of the PRC (《中華人民共和國公司法》) and Foreign Investment

The establishment, operation, and management of corporate entities in China are governed by the *Company Law of the PRC* and the *Regulations on the Registration and Administration of Market Entities of the PRC* (《中華人民共和國市場主體登記管理條例》). The *Company Law of the PRC* was adopted by the Standing Committee of the National People's Congress on December 29, 1993, and came into effect on July 1, 1994. It was most recently amended on December 29, 2023, with the amendments taking effect on July 1, 2024. The Regulations on the *Registration and Administration of Market Entities of the PRC* was promulgated on July 27, 2021, and became effective on March 1, 2022. Under these laws and regulations, companies are generally classified into two types: limited liability companies and joint stock limited companies. Unless otherwise provided by laws and regulations governing foreign investment, foreign-invested limited liability companies are also subject to the aforesaid laws and regulations.

Under the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) (the "Foreign Investment Law"), which was adopted by the National People's Congress of the PRC on March 15, 2019, and came into effect on January 1, 2020, The state adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments. The negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the state. The state will grant national treatment to foreign investments outside of the negative list. The organizational form, organizational structure, and operational guidelines of foreign-invested enterprises shall comply with the provisions of the *Company Law of the PRC*, the *Partnership Enterprise Law of the PRC* (《中華人民共和國合夥企業法》), and other applicable laws. Foreign investors are prohibited from investing in sectors specified as prohibited in the Negative List for Admission of Foreign Investment. For sectors classified as restricted under the Negative List for Admission of Foreign Investment, foreign investors must comply with the specific conditions stipulated therein. For sectors not included in the Negative List for Admission of Foreign Investment, management shall be implemented in accordance with the principle of equal treatment for domestic and foreign investment.

The Foreign Investment Law (《外商投資法》) came into effect on January 1, 2020. The Sino-foreign Equity Joint Venture Law of the People's Republic of China (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-owned Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》), and the Sino-foreign Cooperative Joint Venture Law of the People's Republic of China (《中華人民共和國中外合作經營企業法》) were repealed at the same time. Foreign-invested enterprises established under these laws prior to the implementation of the Foreign Investment Law may retain their original organizational forms for a period of five years upon the effective date of the Foreign Investment Law.

On December 26, 2019, the State Council promulgated the Regulations for the Implementation of the Law of the People's Republic of China on Foreign Investment (《中華人民共和國外商投資法實施條例》) (the "Implementing Regulations"), which came into effect on January 1, 2020 and further superseded the Regulations for the Implementation of the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法實施條例》), Interim Provisions on the Duration of the Chinese-Foreign Equity Joint Ventures (《中外合資經營企業合營期限暫行規定》), the Rules for the Implementation of the Law of the People's Republic of China on Foreign Invested Enterprises (《中華人民共和國外資企業法實施細則》) and the Rules for the Implementation of the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合作經營企業法實施細則》). According to the Implementing Regulations, the registration of foreign-invested enterprises shall be handled by the Market Supervision and Administration Department under the State Council or the local market supervision and administration department authorized by such department in accordance with the law. Foreign investors or foreign-invested enterprises shall report their investment information to the competent business authorities through the enterprise registration system and the enterprise credit information disclosure system. Foreign-invested enterprises investing in China shall also be subject to the relevant provisions under the Foreign Investment Law and the Implementing Regulations.

On December 30, 2019, the Ministry of Commerce and the State Administration for Market Supervision and Administration jointly promulgated the Measures for Reporting Information on Foreign Investments ("Reporting Measures"), which came into effect on January 1, 2020, and replaced the Interim Measures for the Administration of the Establishment and Filing of Changes of Foreign Invested Enterprises at the same time. According to the Reporting Measures, foreign investors or foreign-invested enterprises shall report investment information by submitting initial reports, change reports, cancellation reports and annual reports.

On December 19, 2020, the National Development and Reform Commission and the Ministry of Commerce jointly promulgated the *Measures for the Security Review of Foreign Investment* (《外商投資安全審查辦法》), which came into effect on January 18, 2021. It sets out relevant provisions on the working mechanism for the security review of foreign investment (including the types of investments subject to review, the scope of review, and procedures, etc.). The office of the security review working mechanism will be established under the National Development and Reform Commission, led by the National Development and Reform Commission and the Ministry of Commerce. Foreign investors or relevant domestic parties shall declare security review to the working mechanism office before implementing the following investments: (i) investment in fields related to national defense security, such as military industry and military industry support, as well as investment in areas surrounding military facilities and military industry facilities; and (ii) investment in important areas related to national security, such as important agricultural products, important energy and resources, major equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technology and internet products and services, important financial services, key technologies, and other important fields, and obtaining actual control over the invested enterprise. Circumstances in which control is obtained include: (i) the foreign investor holds more than 50% of the shares of the enterprise; (ii) the foreign investor holds less than 50% of the shares of the enterprise, but the voting rights it enjoys can significantly influence the resolutions of the board of directors or shareholders' meeting; or (iii) other circumstances that enable the foreign investor to significantly influence the enterprise's business decisions, personnel, finance, technology, etc.

**2. Foreign Investment Industry Guidance Catalogue**

The National Development and Reform Commission and the Ministry of Commerce jointly promulgated the *Special Management Measures (Negative List) for the Access of Foreign Investment (2024 Version)* (《外商投資准入特別管理措施(負面清單)(2024年版)》) (2024 Negative List) on September 26, 2024, which came into effect on November 1, 2024, replacing the *Special Management Measures (Negative List) for the Access of Foreign Investment (2023 Version)* (《外商投資准入特別管理措施(負面清單)(2023年版)》). The National Development and Reform Commission and the Ministry of Commerce jointly promulgated the *Catalog of Industries for Encouraging Foreign Investment (2022 Version)* (《鼓勵外商投資產業目錄(2022年版)》) (2022 Encouraging Catalog) on December 27, 2020, which came into effect on January 1, 2023, replacing the Catalog of Industries for Encouraging Foreign Investment (2020 Version). 2024 Negative List and the 2022 Encouraging Catalog contain specific provisions guiding foreign investment access to the market, detailing the access rules for encouraged industries, restricted industries, and prohibited industries. Except where explicitly prohibited or restricted by other Chinese laws and regulations, industries not listed in the 2024 Negative List are generally open to foreign investment. Encouraged foreign investments may enjoy certain preferential policies and incentives provided by the government, while restricted foreign investments, though approved, are subject to certain restrictions under Chinese law. Prohibited foreign investments shall not be carried out.

**3. Acquisition of Domestic Enterprises by Foreign Investors**

On August 8, 2006, the Ministry of Commerce (MOFCOM), the State-owned Assets Supervision and Administration Commission (SASAC), the State Administration of Taxation (SAT), the China Securities Regulatory Commission (CSRC), the State Administration for Industry and Commerce (SAIC), and the State Administration of Foreign Exchange (SAFE) jointly promulgated the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "M&A Provisions"), which took effect on September 8, 2006, and was amended on June 22, 2009. Under the M&A Provisions, foreign investors must obtain necessary approvals in the following scenarios: (1) Purchasing equity in a domestic company, thereby converting it into a foreign-invested enterprise (FIE); (2) Subscribing to a capital increase in a domestic company, resulting in its conversion into an FIE; (3) Establishing an FIE that then acquires and operates assets of a domestic enterprise through agreement; or (4) Acquiring assets of a domestic enterprise via agreement and using such assets to establish an FIE. The M&A Provisions further stipulates (among others) that an offshore special-purpose vehicle (SPV) established and directly or indirectly controlled by a domestic Chinese company or individual for overseas listing purposes must obtain CSRC approval before its securities are traded on an overseas stock exchange — particularly if the SPV acquires shares or equity in a Chinese company using shares of the offshore entity as consideration. Pursuant to Article 11 of the M&A Provisions, where a domestic company, enterprise or natural person intends to take over its domestic affiliated company in the name of a company which it lawfully established or controls, it shall be subject to the examination and approval of the MOFCOM.

## II. REGULATION RELATING TO FOOD SAFETY

### 1. Food Safety Administration

On February 28, 2009, the Standing Committee of the National People's Congress (SCNPC) promulgated the *Food Safety Law of the PRC* (《中華人民共和國食品安全法》), which took effect on the same day and was last amended on April 29, 2021.

Food producers and sellers shall be responsible for the safety of the food they produce or operate, and engage in food production and operation activities in accordance with relevant laws, regulations and food safety standards to ensure food safety. They shall uphold integrity and self-discipline, remain accountable to society and the public, accept social supervision and assume social responsibility.

On July 20, 2009, the State Council promulgated the *Regulation the Implementation of the Food Safety Law of the PRC* (《中華人民共和國食品安全法實施條例》), which took effect on the same day and was last amended on March 26, 2019.

The Regulation provides detailed provisions on basic systems such as food safety risk monitoring and food safety standards, and further emphasizes that food producers and sellers are the primary persons responsible for food safety and shall assume the main responsibilities of food producers and sellers. The Regulation also clearly stipulates that any food safety violations shall be held accountable at an individual level and sets stringent legal responsibilities.

### 2. Food Production and Operation Licensing

According to the Food Safety Law, China implements a licensing system for food production and operation. Any entity engaged in food production or sales shall obtain a license according to the law. However, the sales of edible agricultural products and the sole sale of pre-packaged food products do not require a license. Any entity engaged in the sole sale of pre-packaged food products shall file a record with the food safety regulatory authority of the local people's government at or above the county level.

On January 2, 2020, the State Administration for Market Regulation (SAMR) promulgated the *Measures for the Administration of Food Production Licensing* (《食品生產許可管理辦法》), which took effect on March 1, 2020. The food production licensing system adopts the principle of "one entity, one license", which means a food producer shall obtain a single food production license to engage in food production activities. The market regulatory authority shall implement a classified licensing system for food production based on the risk level of food, considering factors such as raw materials and production processes. Food producers shall hang or place the original copy of their food production license in a prominent place at their production premises.

On June 15, 2023, the SAMR promulgated the *Measures for the Administration of Food Operation Licensing and Record-filing* (《食品經營許可和備案管理辦法》), which took effect on December 1, 2023. Food producers who have already obtained food production licenses do not require a food operation license to sell their self-produced food at their production and processing sites or through online channels. Food sellers who have already obtained food operation licenses do not require a separate filing for expanding into sales of pre-packaged food. Food producers who have already obtained food production licenses do not require a separate filing to sell their self-produced pre-packaged food at their production and processing sites or through online channels. Food producers who engage in food operation activities in different business premises shall obtain separate food operation licenses or filings for each premise according to the law. Food operation entities are classified into food sellers, catering service operators, and entity-operated canteens for centralized meal supply.

**3. Food Labeling**

On August 27, 2007, the General Administration of Quality Supervision, Inspection and Quarantine (now incorporated into the State Administration for Market Regulation) promulgated the *Administrative Provisions on Food Labeling* (《食品標識管理規定》), which was amended on October 22, 2009. Food labels shall indicate the food name, place of origin, production date, shelf life, net weight, ingredient list, and the name, address and contact details of the producer, as well as the applicable national, industry or local standards. Foods that are subject to production license shall be labeled with their food production license number and QS mark.

**4. Food Recall**

The Food Safety Law and its Implementation Regulations have established a food recall system. If a food producer discovers that its products fail to meet food safety standards or there is evidence that they may endanger human health, it shall immediately cease production, recall all affected products from the market, notify relevant producers, sellers and consumers, and maintain records of the recall and notification process. If a food seller discovers any of the aforementioned circumstances, it shall immediately cease operation, notify relevant producers, sellers and consumers, and record its cessation of operation and notification and notification process.

On March 11, 2015, the China Food and Drug Administration (now incorporated into the State Administration for Market Regulation) promulgated the *Administrative Measures for Food Recalls* (《食品召回管理辦法》), which was amended on October 23, 2020. These Measures specify detailed provisions on the obligations of food producers and sellers who shall assume the primary responsibility for food safety according to the law and who are required to cease production and operation of, recall and dispose of unsafe food according to the law.

**5. Use of Food Additives**

The Food Safety Law stipulates the regulations governing the production, operation, use, risk assessment and safety standards of food additives, and sets out the scope of foods and food additives that are prohibited from production and operation.

On March 30, 2010, the Ministry of Health (later changed to the National Health and Family Planning Commission, now the National Health Commission) promulgated the Measures for the Administration of New Varieties of Food Additives (《食品添加劑新品種管理辦法》), which was amended on December 26, 2017. These Measures stipulate the requirements for using food additives and the specific review and approval procedures for new varieties of food additives.

**6. Import and Export of Food Products**

Pursuant to the Provisions on the Administration of Filing of Customs Declaration Units of the People's Republic of China, adopted by the General Administration of Customs (GAC) on November 19, 2021, and effective as of January 1, 2022, a "Customs declaration entity" refers to an import/export goods consignor/consignee or a customs declaration enterprise registered with Customs. To apply for registration, import/export goods consignors/consignees and customs declaration enterprises must first obtain market entity qualification. Additionally, import/export goods consignors/consignees must complete Foreign Trade Operator registration prior to applying for Customs registration. Customs declaration entity registration remains valid indefinitely. However, temporary registration is valid for one year and may be renewed upon expiration.

**7. Online Food Safety**

The *Measures for the Supervision and Administration of Online Transactions* (《網絡交易監督管理辦法》) (which was promulgated by the State Administration for Market Regulation on March 18, 2025, and became effective on May 1, 2025) stipulate that online transaction operators shall disclose product or service information in a comprehensive, truthful, accurate, and timely manner to safeguard consumers' right to know and right to choose. Online transaction operators conducting business activities through online services such as social media or livestreaming shall conspicuously display information, or provide clearly visible links, pertaining to the goods or services offered, the actual operating entity, after-sales services, and other relevant details.

The *Measures for Investigating and Handling Online Food Safety Violations* (《網絡食品安全違法行為查處辦法》) (which was promulgated by the China Food and Drug Administration on July 13, 2016, last amended on March 18, 2025 and became effective on May 1, 2025) stipulate that the State Administration for Market Regulation is responsible for overseeing and guiding the nationwide investigation and handling of online food safety violations, local market regulatory departments at or above the county level are tasked with investigating and handling online food safety violations within their respective administrative regions.

## III. REGULATION RELATING TO PRODUCT QUALITY

On February 22, 1993, the SCNPC promulgated the *Product Quality Law of the PRC* (《中華人民共和國產品質量法》), which was last amended on December 29, 2018.

No entity or individual may exclude qualified products produced by enterprises outside the region or system from entering the local market or system. It is prohibited to produce and sell industrial products that fail to meet the standards and requirements for protecting human health and personal and property safety. China implements a supervisory inspection system for product quality primarily through random sampling inspections. The samples shall be selected at random from the market or unsold finished products in warehouses. If a product fails the random supervisory inspection, the producer or seller will be required to make rectifications within a specified period. Failure to comply within such specified period will result in a public notice issued by the product quality supervision authority of the people's government at or above the provincial level. If the product remains unqualified after re-inspection following such notice, the producer or seller will be ordered to suspend operations and make rectifications within a specified period. If the product remains unqualified after re-inspection following such rectification period, the business license will be revoked.

## IV. REGULATION RELATING TO CONSUMER PROTECTION

### 1. Consumer Rights Protection Law

On October 31, 1993, the SCNPC promulgated the *Law of the PRC on the Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》), which was last amended on October 25, 2013.

This Law aims to safeguard the legitimate rights and interests of consumers, maintain social and economic order, and promote the healthy development of the socialist market economy. When purchasing and using goods and receiving services, consumers are entitled to the right to safety, information, free choice, fair transactions, dignity, personal data protection and compensation. In addition, consumers are entitled to special protections according to the law, including the right to return goods purchased online within seven days without reason and the right to claim punitive damages of three times the product price in cases of fraud.

**2. Anti-Unfair Competition Law**

On September 2, 1993, the SCNPC promulgated the *Anti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》), which was last amended on April 23, 2019.

This Law aims to promote the healthy development of the socialist market economy, encourage and protect fair competition, prevent unfair competition, and protect the legitimate rights and interests of both business operators and consumers. Unfair competition means any behavior by a business operator in its production and operation activities that violates the provisions of this Law, disrupts the market competition order, or infringes upon the legitimate rights and interests of other business operators or consumers. The Anti-Unfair Competition Law clearly defines unfair competition behaviors, including confusing behavior, bribery, false advertising, infringement of trade secrets, unfair prize promotions, defamation of competitors, and unfair online competition. This Law also stipulates the investigative procedures and legal liabilities for various unfair competition behaviors. Anyone who violates the Anti-Unfair Competition Law and constitutes a crime shall be subject to criminal prosecution according to the law.

**3. Price Law**

On December 29, 1997, the SCNPC promulgated the *Price Law of the PRC* (《中華人民共和國價格法》), which took effect on May 1, 1998.

This Law aims to regulate pricing behavior, give play to the role of prices in the rational allocation of resources, stabilize the overall market price, protect the legitimate rights and interests of consumers and business operators, and promote the healthy development of the socialist market economy. Except for goods subject to government-guided pricing or government-fixed pricing, business operators are free to set prices independently according to the law which are subject to market regulation. When setting prices, business operators shall follow the principles of fairness, legality and good faith. Business operators shall not sell goods at a price higher than the marked price or charge any fees other than the marked price. The Price Law clearly stipulates that the overall market price stability is an important objective of national macroeconomic policy. This Law also explicitly states unfair pricing behaviors including price manipulation, predatory pricing, price gouging, price fraud, price discrimination and price monopoly, as well as investigation and legal accountability for various price violations.

### 4. Advertising Law

On October 27, 1994, the SCNPC promulgated the *Advertising Law of the PRC* (《中華人民共和國廣告法》), which was last amended on April 29, 2021.

The law aims to regulate advertising activities, protect the legitimate rights and interests of consumers, promote the healthy development of the advertising industry, and maintain social and economic order. Advertisements shall contain any false or misleading content, nor may they deceive or mislead consumers. Advertisers shall bear full responsibility for the authenticity of advertising content. Any information in advertisements regarding a product's performance, functionality, place of origin, purpose, quality, composition, price, manufacturer, validity period or promises shall be accurate, clear and explicit. The Advertising Law sets out prohibited advertising practices, explicitly stating that advertisements shall not harm the physical or mental health of minors or individuals with disabilities, nor may they devalue the goods or services of other producers and operators. Advertisers, advertising operators, and publishers are prohibited from engaging in any form of unfair competition in advertising activities or using minors under the age of ten as brand ambassadors. These are also prohibited and mandatory provisions, including that advertisements shall not be sent to any individual's residence, vehicle or other personal space without prior consent or request, nor may they be disseminated via electronic communication.

## V. REGULATION RELATING TO ENVIRONMENTAL PROTECTION

### 1. Environmental Protection Law

On December 26, 1989, the SCNPC promulgated the *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), which was amended on April 24, 2014.

All entities and individuals are obligated to protect the environment. Production and operation entities shall prevent and reduce environmental pollution and ecological damage, and bear legal liability for any damage they cause. If any production or operation entity illegally discharges pollutants and causes or is likely to cause serious pollution, the facilities and equipment that cause such discharge of pollutants may be sealed or confiscated. For construction projects, pollution control facilities shall be designed, built and put into operation simultaneously with the main project. These facilities shall comply with the requirements of approved environmental impact assessment documents and shall not be dismantled or left idle without authorization. It is strictly prohibited to discharge pollutants unlawfully by means of hidden pipelines, infiltration wells or pits, injection methods, or tampering with or falsifying monitoring data, or deliberately disabling pollution control facilities to evade supervision. Business operators that discharge pollutants shall pay pollution discharge fees in accordance with relevant national regulations. If an environmental protection tax is levied according to the law, the pollution discharge fee will no longer be levied.

China has adopted a total emission control system for key pollutants, and implements a pollutant discharge permit system as well as a phase-out system for processes, equipment and products that seriously pollute the environment. People's governments at all levels shall coordinate the construction and normal operation of urban and rural sewage treatment facilities and supporting pipelines, environmental sanitation facilities for the collection, transportation and disposal of solid waste, centralized hazardous waste disposal facilities and sites, and other environmental protection infrastructure. Key pollutant-discharging entities are required to truthfully disclose to the public the names of primary pollutants, discharge methods, concentrations and total volume of emissions, any instances of excessive discharge, and the construction and operation of pollution control facilities, and accept social supervision.

The Environmental Protection Law imposes severe penalties for environmental violations, including fines, orders to rectify within a specified period, suspend construction, suspend or close down business or restore the original state, and even transfer of directly responsible individuals to public security authorities for administrative detention. Any violation that constitutes a criminal offense shall be subject to criminal prosecution according to the law.

**2. Environmental Protection in Construction Projects**

On October 28, 2002, the SCNPC promulgated the *Law of the PRC on Environmental Impact Assessment* (《中華人民共和國環境影響評價法》), which was last amended on December 29, 2018.

Environmental impact assessment involves analyzing, predicting, and evaluating the potential environmental effects of planning and construction projects, and proposing strategies and measures to prevent or mitigate adverse environmental impacts as well as the methods and systems for follow-up monitoring. China implements a classified management system for environmental impact assessments of construction projects based on the extent of their environmental impact. Construction entities shall prepare an environmental impact report or an environmental impact statement for their construction projects, depending on the level of environmental impact, and submit it to the environmental authority for approval. For construction projects with minimal environmental impact that do not require an environmental impact assessment, an environmental impact registration form shall be submitted. China has adopted a record-filing management system for environmental impact registration form which is not subject to approval. During the construction of a construction project, the construction entity shall implement the environmental protection strategies and measures outlined in the environmental impact report, the environmental impact statement and the approval documents issued by approving authorities.

On November 29, 1998, the State Council promulgated the *Regulations on the Administration of Construction Project Environmental Protection* (《建設項目環境保護管理條例》), which was amended on July 16, 2017. These regulations, in conjunction with the Environmental Impact Assessment Law, ensure the effective implementation of the environmental impact assessment system for construction projects. If the construction project does not commence within five years after 5 years from the date of approval of its environmental impact assessment document, the construction entity shall submit such environmental impact assessment document to the original approving authority for re-examination. Any supporting environmental facilities required for a construction project shall be designed, constructed and put into operation simultaneously with the main project. Upon the completion of a construction project for which an environmental impact report or environmental impact statement has been prepared, the construction entity shall conduct an acceptance inspection of supporting environmental facilities and prepare an acceptance report according to the standards and procedures prescribed by the environmental authority of the State Council. For construction projects that are built, put into production or used in phases, corresponding environmental facilities shall undergo phased acceptance inspections. No construction project may be put into production or use without or failing acceptance inspection.

**3. Noise Pollution Prevention and Control**

Pursuant to the *Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution* (《中華人民共和國環境噪聲污染防治法》) promulgated by the Standing Committee of the National People's Congress on October 29, 1996 and last amended on December 24, 2021 and taking effect on June 5, 2022, industrial enterprises discharging noise into the surrounding environment within urban areas must comply with the national noise emission standards for industrial enterprises at factory boundaries. Industrial enterprises that generate environmental noise pollution due to the use of fixed equipment must submit declarations to the competent ecological and environmental authorities in accordance with regulations issued by the State Council's ecological and environmental department.

**4. Water Pollution Prevention and Control**

On May 11, 1984, the SCNPC promulgated the *Water Pollution Prevention and Control Law of the PRC* (《中華人民共和國水污染防治法》), which was last amended on June 27, 2017 and took effect on January 1, 2018.

This Law applies to the pollution prevention and control for all surface water bodies, including rivers, lakes, canals, channels and reservoirs, and groundwater bodies within China. Any entity discharging water pollutants shall not exceed the national and local water pollutant emission standards and total emission control limits for key water pollutants.

**5. Air Pollution Prevention and Control**

On September 5, 1987, the SCNPC promulgated the *Atmospheric Pollution Prevention and Control Law of the PRC* (《中華人民共和國大氣污染防治法》), which was last amended on October 26, 2018.

When production and operation entities construct projects that have an impact on the atmospheric environment, they shall conduct environmental impact assessments and disclose environmental impact assessment documents according to the law. Entities discharging pollutants into the atmosphere shall comply with air pollutant emission standards and total emission control limits for key air pollutants. Entities and public institutions emitting industrial waste gases or legally designated toxic and hazardous air pollutants, producers and operators of coal-fired heat sources for centralized heating facilities and other entities subject to pollutant discharge permit according to the law, shall obtain a pollutant discharge permit. China implements a total emission control system for key air pollutants and is gradually promoting a pollution discharge rights trading system. The list of key polluting entities shall be determined by local environmental authorities and made publicly available.

**6. Solid Waste Pollution Prevention and Control**

On October 30, 1995, the SCNPC promulgated the *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes* (《中華人民共和國固體廢物污染環境防治法》), which was amended on April 29, 2020.

The prevention and control of solid waste pollution adhere to the polluter-pays principle. Any entity or individual involved in the generation, collection, storage, transportation, utilization or disposal of solid waste shall take necessary measures to prevent or minimize environmental pollution by solid waste, and bear legal responsibility for any environmental pollution caused. Entities involved in the generation, collection, storage, transportation, utilization or disposal of solid waste and other production and operation entities shall take measures to prevent dispersion, leakage and infiltration or other measures to prevent environmental pollution, and shall not dump, pile, discard or scatter solid waste without authorization.

**7. Administration of Pollutant Discharge Permit**

The Environmental Protection Law clearly stipulates that China implements a pollutant discharge permit system. On January 24, 2021, the State Council promulgated the *Regulation on the Administration of Pollutant Discharge Permits* (《排污許可管理條例》), which took effect on March 1, 2021. On April 1, 2021, the Ministry of Ecology and Environment of the State Council promulgated the *Measures for the Administration of Pollutant Discharge Permits* (《排污許可管理辦法》), which took effect on July 1, 2024.

Enterprises, public institutions and other production and operation entities ("**Discharging Entities**") subject to pollutant discharge permit regulations according to the law shall apply for and obtain a pollutant discharge permit. Discharging entities shall not discharge pollutants without a pollutant discharge permit. If a discharging entity operates two or more production and operation facilities at different locations, it shall apply for separate pollutant discharge permits for each facility. Each permit is valid for five years. If an entity intends to continue pollutant discharge after its permit expires, it shall submit an application to the approving authority at least 60 days before expiration. If, during the permit's validity period, a discharging entity constructs, renovates or expands pollutant-emitting facilities, or modifies operational sites, pollutant discharge outlets, discharge methods or destinations, or increases the number, type, volume or concentration of pollutants discharged, it shall reapply for a new permit. A discharging entity shall establish an environmental management record system, and maintain accurate records of primary production facilities, the operation of pollution control equipment and the concentration and volume of pollutants according to the format, content and frequency specified in the pollutant discharge permit. These records shall be kept for no less than five years. Production and operation entities with minimal pollutant generation, emissions and environmental impacts shall submit a pollution discharge registration form instead of applying for a pollutant discharge permit.

## VI. REGULATION RELATING TO WORK SAFETY

### 1. Work Safety Law

On June 29, 2002, the SCNPC promulgated the *Work Safety Law of the PRC* (《中華人民共和國安全生產法》), which was last amended on June 10, 2021 and took effect on September 1, 2021. The principal responsible person of a production or operation entity bears the ultimate accountability for workplace safety and assumes full responsibility for its safety management. All production and operation entities shall implement national standards or industry standards formulated according to the law to ensure work safety. China has adopted an accountability system for work safety accidents, and holds accountable both entities and individuals involved in work safety incidents according to the law.

### 2. Special Equipment Safety Law

On June 29, 2013, the SCNPC promulgated the *Special Equipment Safety Law of the PRC* (《中華人民共和國特種設備安全法》), which took effect on January 1, 2014. Special equipment means boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, lifting machinery, passenger ropeways, large amusement facilities, and dedicated industrial vehicles used within workplaces (factories) that pose significant risks to personal and property safety, as well as other special equipment that is subject to this Law as prescribed by laws and administrative regulations. China has adopted a catalog management system for special equipment, and implements category-based full-process safety supervision over its production, operation and use. Any personnel engaged in the safety management, inspection and operation of special equipment shall obtain relevant qualifications in accordance with relevant national regulations before performing related duties. They shall strictly adhere to technical safety standards and management protocols to ensure the safe operation of special equipment.

## VII. REGULATION RELATING TO PROPERTY LEASING

According to the *Civil Code of the PRC* (《中華人民共和國民法典》) promulgated by the National People's Congress (NPC) on May 28, 2020 and taking effect on January 1, 2021, any income derived from the possession or use of a leased property during the lease term belongs to the lessee unless otherwise agreed upon by both parties. With the consent of the lessor, the lessee may sublease the property to a third party. If the lessee subleases the property, the original lease contract between the lessee and the lessor remains in effect. If such third party causes damage to the leased property, the lessee shall compensate for the loss. If the lessee subleases the property without the consent of the lessor, the lessor may terminate the lease contract. Furthermore, any change in the ownership of the leased property during the lease period does not affect the validity of the lease contract.

According to the *Administrative Measures for Commodity House Leasing* (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and taking effect on February 1, 2011, if the lessor intends to sell the leased property during the lease period, the lessor shall notify the lessee within a reasonable period before the sale, and the lessee holds the right of first refusal under equal conditions. Within 30 days after the conclusion of a property lease contract, the parties thereto shall register and file the lease with the competent construction (real estate) authority of the municipal, city-level or county-level people's government where the property is located. If the rental registration is not completed as required, the competent construction (real estate) authority of the municipal, city-level or county-level people's government may order rectification within a specified period. If an individual fails to rectify within such specified period, a fine of up to RMB1,000 may be imposed. If an entity fails to rectify within such specified period, a fine of not less than RMB1,000 but not more than RMB10,000 may be imposed.

## VIII. REGULATION RELATING TO LAND ADMINISTRATION

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986 and last amended in 2019, any construction entity that uses state-owned land shall comply with the terms specified in the land use right transfer contract or other paid land-use contracts or the provisions of land-use right allocation approval documents. If any change in the designated land use is necessary, it shall obtain the consent from the relevant natural resources authority of the people's government and apply for approval from the people's government that approved the original land use. In particular, any proposed land-use change within the urban planning area shall be subject to the consent from the competent urban planning authority before submission for governmental approval.

According to the *Law of the PRC on the Contracting of Rural Land* (《中華人民共和國農村土地承包法》) promulgated by the SCNPC on August 29, 2022 and last amended in 2018, China implements a contracting system for rural land. The rural land contracting system adopts a household-based contracting approach within rural collective economic organizations. These contracted households are entitled to the land contracting and operation rights under which they may either cultivate the land themselves or retain contracting rights while transferring operational rights to others. Rural land contracting and operation shall comply with laws and regulations and ensure the rational development and sustainable use of land resources. Agricultural land may not be used for non-agricultural construction development without approval according to the law. If any contracting party intends to lease rural land to an entity or individual outside the collective economic organization, it shall obtain the prior consent of more than two-thirds of the members of the villagers' meeting of the collective economic organization or more than two-thirds of the villagers' representatives, and then apply for the approval of the township (town) people's government.

## IX. REGULATION RELATING TO INTELLECTUAL PROPERTY

### 1. Trademark

According to the *Trademark Law of the PRC* (《中華人民共和國商標法》) promulgated by the SCNPC in 1982 and last amended in 2019,

a trademark approved for registration by the Trademark Office is a registered trademark, including product trademarks, service trademarks, collective trademarks and certification trademarks. The registrant of a trademark holds the exclusive use right which is protected by law. If any holder of well-known trademarks believes his rights have been infringed, he may seek legal protection for a well-known trademark in accordance with the provisions of this Law. A registered trademark remains valid for ten years from the date of registration approval. If a registered trademark needs to continue to be used after its expiration, the registrant shall complete the renewal procedures within twelve months before expiration. If renewal is not completed within such period, a six-month grace period may be granted. Each renewal extends the validity of a trademark for an additional ten years, calculated from the day after the expiration date of the previous validity period. If the renewal procedures are not completed before the expiration date, the registered trademark will be cancelled. A trademark registrant may authorize third parties to use his registered trademark by signing a trademark license agreement. Such agreements shall be filed with the Trademark Office for registration and then announced publicly. A trademark license that is not officially filed for registration cannot be used against *bona fide* third parties.

**2. Patents**

According to the *Patent Law of the PRC* (《中華人民共和國專利法》) promulgated by the SCNPC in 1984 and last amended in 2020,

An invention means invention, utility model and industrial design. Any invention completed in the execution of employment duties or primarily utilizing the employer's material and technical resources are considered service inventions. The right to apply for a patent for a service invention belongs to the employer, which becomes the patent holder upon approval. The employer may manage its patent application rights and patent rights for its service inventions according to the law, and facilitate their implementation and application. Patent application rights and patent rights are transferable. Any entity or individual that wishes to use other's patent shall enter into a licensing contract with the patent holder and pay patent royalties. The licensee has no right to authorize any entity or individual other than those specified in the contract to use the patent. The term of a patent is twenty years for inventions, ten years for utility models, and fifteen years for industrial designs, all calculated from the application date. Patent holders shall pay annual fees starting from the year their patent right is granted. Any use of a patent without the authorization of the patent holder constitutes patent infringement. Any dispute arising therefrom may be resolved through negotiation between the relevant parties. If negotiations fail or one party refuses to negotiate, the patent holder or an interested party may file a lawsuit with the People's Court or request intervention from the patent administration authority.

**3. Copyright**

According to the *Copyright Law of the PRC* (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and last amended in 2020,

Chinese citizens, legal persons and unincorporated organizations hold copyright over their works, whether published or not. Works created by a natural person in the execution of employment duties of a legal person or unincorporated organization are considered service works, and unless otherwise stipulated, the author retains copyright, while the legal person or unincorporated organization has priority usage rights within its business scope. Without the consent of his employer, the author may not authorize a third party to use his work in the same manner as his employer within two years of the completion of his work. For commissioned works, the copyright ownership shall be determined by the contract between the principal and the trustee. If no explicit agreement is made or no contract is concluded, the trustee retains copyright over the work.

### 4. Domain Names

In accordance with the *Administrative Measures for Internet Domain Names* (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and taking effect on November 1, 2017, domain name registration services shall generally follow the "first to file" principle, unless otherwise stipulated in the relevant detailed implementation rules for domain name registration.

## X. REGULATION RELATING TO LABOR AND EMPLOYMENT

According to the *Labor Contract of the PRC* (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007 and last amended in 2012, labor contracts between employers and employees shall adhere to the principles of legality, fairness, equality, voluntariness, consensus and honesty. If an employer adopts the form of labor dispatch, it shall enter into labor dispatch agreements with dispatch agencies. Such agreements shall specify the job positions, number of dispatched employees, dispatch period, remunerations, social insurance contributions, payment methods and liabilities for breaches of contract. Employment under labor contracts is the primary employment model of enterprises. Labor dispatching serves as a supplementary form of employment and is limited to temporary, auxiliary or substitute positions. The employer shall strictly control the number of dispatched workers, which shall not exceed a certain percentage of the total workforce. Such percentage shall be determined by the labor administrative department of the State Council. The employer may also adopt a part-time employment model, where employees work an average of no more than four hours every day and no more than 24 hours every week in the same entity. Either party may notify the other party to terminate the employment at any time, and the employer is not required to provide economic compensation upon termination. The hourly wage standard for part-time employment shall not be lower than the local minimum hourly wage set by the local government of the place where the employer is located.

According to the *Interim Provisions on Labor Dispatch* (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014 and taking effect on March 1, 2014, the employer shall strictly control the number of dispatched workers, which shall not exceed 10% of its total workforce.

## XI. REGULATION RELATING TO SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

### 1. Social Insurance

According to the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and last amended in 2018, employers shall apply to the social insurance authority for social insurance registration for their employees within 30 days from the date of employment. If an employer fails to complete the social insurance registration, the social insurance authority will determine social insurance contributions that shall be paid. Self-employed individuals without employees, part-time workers not covered by an employer's social insurance plan, and other flexible workers who voluntarily participate in social insurance shall apply for social insurance registration with the social insurance authority. If an employer fails to pay social insurance contributions in full and on time, the social insurance collection authority may order the employer to pay or make up the contributions within a specified period, and charge a daily late payment of 0.05% of the outstanding amount from the date of default. If the employer still fails to comply, the relevant administrative authority may impose a fine of not less than one time and not more than three times the unpaid amount.

According to the *Interim Measures for the Transfer and Continuation of Basic Medical Security Relationships of Migrant Employees* (《流動就業人員基本醫療保障關係轉移接續暫行辦法》) promulgated by the Ministry of Human Resources and Social Security and the former Ministry of Health on December 31, 2009, all types of urban and rural migrant workers shall participate in urban employee medical insurance, urban resident medical insurance, or new rural cooperative medical system (as the case may be). Dual participation and repeated benefits are prohibited. Local governments shall not impose participation restrictions based on household registration or other reasons.

**2. Housing Provident Fund**

According to the Regulation on the *Administration of Housing Provident Fund* (住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and last amended in 2019, when an employer recruits an employee, it shall register with the housing provident fund administration center and establish or transfer employees' housing provident fund accounts within 30 days from the employment date. If an employer fails to register for housing provident fund contributions or fails to set up accounts for its employees, the housing provident fund administration center may order it to complete such procedures within a specified period. If the employer fails to comply within such specified period, a fine of not less than RMB10,000 but not more than RMB50,000 may be imposed. If an employer fails to pay or underpay housing provident fund contributions, the housing provident fund administration center may order it to make the full payment within a specified period. If the employer still fails to comply within such specified period, the housing provident fund administration center may apply to the People's Court for compulsory enforcement.

According to the *Several Opinions of the State Council on Solving the Problems of Migrant Workers* (《國務院關於解決農民工問題的若干意見》) promulgated and implemented by the State Council on January 31, 2006, when an urban entity employs migrant workers, the employer and individuals may pay housing provident fund contributions, which can be used by migrant workers to purchase or rent self-occupied housing.

## XII. REGULATION RELATING TO OVERSEAS SECURITIES ISSUANCE AND LISTING

According to the *Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies* (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023 and effective on March 31, 2023, for domestic enterprises issuing securities and listing overseas, the issuer shall file with the CSRC in accordance with the *Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies*. Where an issuer submits an application for initial public offering or listing overseas, such issuer must file with the CSRC within three(3) business days after submitting the application documents for the issuance and listing to the relevant overseas authorities.

According to the *Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Enterprises* (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) jointly issued by the CSRC and other departments on February 24, 2023, which took effect on March 31, 2023, in the activities of overseas securities offering and listing of domestic enterprises, domestic enterprises, as well as securities companies and securities service institutions providing related services, shall strictly comply with relevant laws and regulations of the People's Republic of China and the requirements of this regulation. They shall enhance their legal awareness of keeping state secrets and strengthening archive management, establish and improve confidentiality and archive management systems, implement necessary measures to fulfill confidentiality and archive management responsibilities, and must not disclose state secrets or work secrets of state agencies, nor harm national or public interests. Domestic enterprises that provide or publicly disclose documents or data involving state secrets or work secrets of state agencies to relevant securities companies, securities service institutions, overseas regulatory authorities or other entities and individuals, whether directly or through their overseas listed entities, shall obtain approval from competent authorities with approval authority in accordance with the law and file with the administrative department for confidentiality at the same level. Domestic enterprises that provide or publicly disclose other documents or data which, if leaked, could adversely affect national security or public interests to relevant securities companies, securities service institutions, overseas regulatory authorities or other entities and individuals, whether directly or through their overseas listed entities, shall strictly follow the corresponding procedures in accordance with national regulations.

## XIII. REGULATION RELATING TO CYBERSECURITY, DATA SECURITY AND PERSONAL INFORMATION PROTECTION

### 1. Cybersecurity and Data Security

According to the *Cybersecurity Law of the People's Republic of China* (《中華人民共和國網絡安全法》) promulgated by the SCNPC on November 7, 2016, which took effect on June 1, 2017, entities engaged in constructing, operating a network, or providing services through a network shall adopt technical measures and other necessary measures in accordance with legal and administrative regulations, as well as mandatory national standards, to ensure the secure and stable operation of the network. These measures must effectively address cybersecurity incidents, prevent illegal and criminal activities online, and safeguard the integrity, confidentiality and availability of network data.

According to the *Data Security Law of the People's Republic of China*, which was promulgated by the SCNPC on June 10, 2021 and came into effect on September 1, 2021, data processing activities shall be carried out in compliance with laws and regulations, with respect towards social ethics and morality, by establishing and improving a whole-process data security management system and strengthening risk monitoring. In addition, processors of important data shall conduct regular risk assessments and submit risk assessment reports to the relevant competent authorities.

According to the *Regulations on Administration of Network Data Security* (《網絡數據安全管理條例》) promulgated by the Office of the National Cyberspace Affairs of the State Internet Information Office of the People's Republic of China on September 24, 2024 and effective as of January 1, 2025, a network data processor engaging in network data processing activities that affect or are likely to affect national security shall conduct a national security review in accordance with the relevant state regulations.

According to the Measures for Cyber Security Review (《網絡安全審查辦法》) promulgated by the Office of the National Cyberspace Affairs of the State Internet Information Office of the People's Republic of China in conjunction with relevant government departments on December 28, 2021 and effective on February 15, 2022 (replacing the previous version), operators of critical information infrastructures that procure network products and services, which affect or are likely to affect national security, shall declare to the Office of the Cyberspace Affairs of the State Internet Information Office a cyber security review. Operators of network platforms with personal information of more than 1.00 million users seeking listing abroad are required to declare their network security review to the Cybersecurity Review Office.

### 2. Protection of personal information

According to the *Civil Code of the PRC*, the personal information of natural persons is protected by law. If any organization or individual needs to obtain the personal information of others, they shall obtain it lawfully, ensure data security, and refrain from illegal collection, use, processing or transmission of the personal information of others as well as illegal trading, disclosure or provision of such data.

According to the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) promulgated by the SCNPC on August 20, 2021 and last amended on November 1, 2021, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information. All organizations and individuals are prohibited from engaging in the illegal collection, use, processing or transmission of the personal information of others as well as illegal trading, disclosure or provision of such data. The processing of personal information shall not endanger national security or public interest.

## XIV. REGULATION RELATING TO TAXATION

### 1. Corporate Income Tax

According to the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) (the "**Enterprise Income Tax Law**")) promulgated by the National People's Congress of the PRC on March 16, 2007 and last amended by the SCNPC on December 29, 2018, and the *Regulation on the Implementation of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2024 and implemented on January 20, 2025, enterprises are classified into resident and non-resident enterprises. According to the Enterprise Income Tax Law and its Implementation Regulations, resident enterprises are subject to a unified corporate income tax rate of 25%.

According to the *Notice of the Ministry of Finance and State Administration of Taxation on Announcing the Scope of Primary Processing of Agricultural Products Covered by Preferential Policies on Enterprise Income Tax (for Trial Implementation)* (《財政部、國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》) promulgated on November 20, 2008, and the *Supplementary Notice of the Ministry of Finance and State Administration of Taxation on Announcing the Scope of Primary Processing of Agricultural Products Covered by Preferential Policies on Enterprise Income Tax (for Trial Implementation)* (《財政部、國家稅務總局關於享受企業所得稅優惠的農產品初加工有關範圍的補充通知》) promulgated on May 11, 2011, the income derived from the primary processing of agricultural products within the specified scope is exempt from corporate income tax. During the Reporting Period, Anhui LIUM, Fujian LIUM and Guangxi LIUM, the subsidiaries of Liuliu Orchard Group, benefited from the corporate income tax exemption policy for revenue generated from the primary processing of agricultural products.

**2. Value-Added Tax (VAT)**

According to the *Interim Regulation of the PRC on Value Added Tax* (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last amended on November 19, 2017, and the *Detailed Rules for the Implementation of the Interim Regulation of the PRC on Value Added Tax* (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance of the PRC on December 25, 1993 and last amended on October 28, 2011, taxpayers engaged in the sale of goods, provision of processing, repair or replacement services, or the import of goods within China are subject to value-added tax. Unless otherwise specified, the VAT rate is 17%.

According to the *Notice on Adjusting Value-added Tax Rates* (《關於調整增值稅稅率的通知》) promulgated by the Ministry of Finance and the State Taxation Administration on April 4, 2018 and taking effect on May 1, 2018, for taxpayers engaging in VAT-taxable sales or importing goods, the original tax rates of 17% and 11% have been adjusted to 16% and 10%, respectively. The export goods originally subject to 17% tax rate and with an export tax refund rate of 17%, the export tax refund rate is adjusted to 16%. The export goods and cross-border taxable behaviors originally subject to 11% tax rate and the export tax rebate rate is 11%, the export tax rebate rate is adjusted to 10%.

According to the *Notice on Relevant Policies for Deepening the Value-Added Tax Reform* (《關於深化增值稅改革有關政策的通知》) promulgated by the Ministry of Finance and the State Taxation Administration on March 20, 2019 and taking effect on April 1, 2019, for taxpayers engaging in VAT-taxable sales or importing goods, the original tax rates of 16% and 10% have been adjusted to 13% and 9%, respectively. The export goods and labour originally subject to 16% tax rate and with an export tax refund rate of 16%, the export tax refund rate is adjusted to 13%. The export goods and cross-border taxable behaviors originally subject to 10% tax rate and the export tax rebate rate is 10%, the export tax rebate rate is adjusted to 9%.

## OVERVIEW

Our history dates back to when our founder Mr. Yang founded Anhui Liuliu in 1999 and explored business opportunities in the snack-food industry. Over the years, we have developed and established ourselves as a pioneer in fruit snacks and a leader of plum-based products in China. We follow the mission of "letting the world savor the delightful taste of plums (讓世界共享「梅」好)". Our "溜溜 LIUM" trademark was recognized as a "Renowned Chinese Trademark" since 2015. Guided by our "Plum＋" product development strategy, we have built a diverse plum-based products portfolio including dried plum snacks, prune-based products and our innovative plum jelly. In 2024, we ranked first in China's fruit snacks industry in terms of the retail sales value, with a market share of 4.9%. Meanwhile, we ranked first in China's plum-based products industry in terms of retail sales value, with a market share of 7.0%.

## KEY MILESTONES

The following table summarises the key development milestones of our Group:

| Year | Milestones |
|---|---|
| 1999 | ● Anhui Liuliu was established in Wuhu City, Anhui Province. |
| 2000 | ● We built the Wuhu Plant in Wuhu City, Anhui Province. |
| 2001 | ● We registered the "溜溜LIUM" trademark and launched our iconic brand. |
| 2009 | ● Our Company was founded and we built the Anhui Plant. |
| | ● We also established presence in Fujian Province, a green plum production area in southern China, and built the Zhangpu Plant. |
| 2010 | ● We continued to expand the Fujian production base and built the Zhaoan plant. |
| 2013 | ● We introduced well-known celebrity as product ambassador to enhance our brand and product awareness. |
| 2014 | ● We were recognized as the National Key Leading Enterprise in Agricultural Industrialization* (農業產業化國家重點龍頭企業). |
| 2015 | ● Our "溜溜LIUM" trademark was recognized as a "Renowned Chinese Trademark"* (中國馳名商標). |
| | ● We started introducing strategic institutional investors to optimize the Company's capital structure. |

| Year | Milestones |
| --- | --- |
| 2016 | • We established Liuliu Research Institute and Zhongnongan Testing to enhance product research and development and testing capabilities. |
| | • We hosted the Plum Industry Development Conference* (梅產業發展大會) at the China National Convention Center in Beijing. |
| 2019 | • We launched the plum jelly products. |
| | • We were recognized as a National Green Factory* (國家綠色工廠). |
| 2021 | • We expanded into Guangxi Zhuang Autonomous Region, a green plum producing area in southwestern China, and built the Guangxi plant. |
| | • We participated in the drafting of the national standard "General Rules for Preserved Fruit Quality"* (《蜜餞質量通則》) and the industry standard "Technical Conditions for Plums (Types)"* (話梅(類)技術條件》). |
| | • "Liuliu Mei No. 1" was granted the new plant variety right certificate. |
| 2022 | • We expanded the Anhui production base and built the plum jelly plant. |
| | • Our "Liuliu Mei No. 2" was granted the new plant variety right certificate. |
| | • We promoted "Chinese Green Plum Liuliumei (中國青梅溜溜梅)", and highlighted product feature of "containing a variety of organic acids (含有多種有機酸)" to enhance the overall brand image. |
| 2023 | • We launched the zero-additive pitted prune products. |
| 2024 | • We partnered with well-known membership chain store to launch customized premium plum product. |

## OUR PRINCIPAL OPERATING SUBSIDIARIES

As of the Latest Practicable Date, we had nine principal operating subsidiaries in the PRC which were material to our performance during the Track Record Period. The following table sets out the details of such subsidiaries:

| No. | Name of subsidiary | Place of establishment | Date of establishment | Registered capital as of the Latest Practicable Date | Equity holding of our Company | Principal business activities |
|---|---|---|---|---|---|---|
| | | | | *RMB'000* | | |
| 1. | Anhui Liuliu | PRC | April 18, 1999 | 5,000 | 100% | Manufacture of food |
| 2. | Fujian Liuliu | PRC | May 25, 2009 | 15,000 | 100% | Processing of agricultural products |
| 3. | Zhaoan Liuliu | PRC | September 27, 2010 | 22,000 | 100% | Processing of agricultural products |
| 4. | Fujian LIUM | PRC | December 17, 2014 | 10,000 | 100% | Procurement and preliminary processing of agricultural products |
| 5. | Anhui LIUM | PRC | March 11, 2015 | 10,000 | 100% | Procurement and preliminary processing of agricultural products |
| 6. | Liuliu Research Institute | PRC | November 28, 2016 | 10,000 | 100% | Research and development of new products |
| 7. | Liuliu Sales | PRC | July 2, 2018 | 10,000 | 100% | Sale of food |
| 8. | Liuliu New Retail | PRC | August 23, 2018 | 10,000 | 100% | Sale of food |
| 9. | Plum Jelly Tech | PRC | February 24, 2022 | 50,000 | 100% | Manufacture of food |

## MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we had not conducted any major acquisitions, disposals or mergers that we consider to be material to us.

## CORPORATE DEVELOPMENT

Our Company underwent the following several rounds of change in registered capital and equity transfers.

### Establishment of our Company

The following table sets forth the equity ownership structure of our Company upon its establishment in September 2009:

| Name of shareholder | Amount of registered capital subscribed | Percentage ownership |
|---|---|---|
| | *(RMB)* | *(%)* |
| Mr. Yang | 9,000,000 | 90.00 |
| Ms. Li | 1,000,000 | 10.00 |
| **Total** | 10,000,000 | 100.00 |

### Increase in the share capital in April 2010

In April 2010, the registered capital of our Company was increased from RMB10,000,000 to RMB30,000,000. The following table sets forth the equity ownership structure of our Company upon the completion of the increase in share capital:

| Name of shareholder | Amount of registered capital subscribed | Percentage ownership |
|---|---|---|
| | *(RMB)* | *(%)* |
| Mr. Yang | 27,000,000 | 90.00 |
| Ms. Li | 3,000,000 | 10.00 |
| **Total** | 30,000,000 | 100.00 |

**Increase in the share capital in February 2012**

In February 2012, the registered capital of our Company was increased from RMB30,000,000 to RMB60,000,000. The following table sets forth the equity ownership structure of our Company upon the completion of the increase in share capital:

| Name of shareholder | Amount of registered capital subscribed | Percentage ownership |
|---|---|---|
| | *(RMB)* | *(%)* |
| Mr. Yang | 54,000,000 | 90.00 |
| Ms. Li | 6,000,000 | 10.00 |
| **Total** | 60,000,000 | 100.00 |

**Equity transfer in January 2015**

In January 2015, Mr. Yang and Ms. Li transferred approximately 45.90% and 5.10% equity interests in our Company, representing a registered capital of RMB27,540,000 and RMB3,060,000, to Jurun Investment at assessed value of RMB47,290,402.80 and RMB5,254,489.20, respectively. Jurun Investment was owned as to 90% by Mr. Yang and 10% by Ms. Li.

The following table sets forth the equity ownership structure of our Company upon the completion of the equity transfer:

| Name of shareholder | Amount of registered capital subscribed | Percentage ownership |
|---|---|---|
| | *(RMB)* | *(%)* |
| Jurun Investment | 30,600,000 | 51.00 |
| Mr. Yang | 26,460,000 | 44.10 |
| Ms. Li | 2,940,000 | 4.90 |
| **Total** | 60,000,000 | 100.00 |

**Equity transfer in June 2015**

In June 2015, Jurun Investment transferred approximately 4.00% equity interests in our Company, representing a registered capital of RMB2,400,000, to Kailai Star for employee incentive purpose at a consideration of RMB7,200,000, and approximately 6.00% equity interests in our Company, representing a registered capital of RMB3,600,000, to Kaixuan Star as a shareholding platform for Mr. Yang and his family at a consideration of RMB10,800,000, respectively. For details of Kailai Star, please refer to "Pre-[REDACTED] Share Incentive Plan" in this section below.

The following table sets forth the equity ownership structure of our Company upon the completion of the equity transfers:

| Name of shareholder | Amount of registered capital subscribed | Percentage ownership |
|---|---|---|
| | *(RMB)* | *(%)* |
| Mr. Yang | 26,460,000 | 44.10 |
| Jurun Investment | 24,600,000 | 41.00 |
| Kaixuan Star | 3,600,000 | 6.00 |
| Ms. Li | 2,940,000 | 4.90 |
| Kailai Star | 2,400,000 | 4.00 |
| **Total** | 60,000,000 | 100.00 |

**Series A Financing in July 2015**

On June 25, 2015, our Company, our then Shareholders and Beijing Sequoia entered into a capital increase agreement, pursuant to which Beijing Sequoia subscribed for a registered capital of RMB10,588,235 at a consideration of RMB135,000,000. The registration of capital increase was completed on July 13, 2015. The consideration was fully settled on June 30, 2015.

The following table sets forth the equity ownership structure of our Company upon the completion of the Series A Financing:

| Name of shareholder | Amount of Registered Share Capital Subscribed | Percentage ownership |
|---|---|---|
| | *(RMB)* | *(%)* |
| Mr. Yang | 26,460,000 | 37.49 |
| Jurun Investment | 24,600,000 | 34.85 |
| Beijing Sequoia | 10,588,235 | 15.00 |
| Kaixuan Star | 3,600,000 | 5.10 |
| Ms. Li | 2,940,000 | 4.17 |
| Kailai Star | 2,400,000 | 3.40 |
| **Total** | 70,588,235 | 100.00 |

**Conversion into a Joint Stock Limited Company in April 2016**

On April 21, 2016, our Company was converted from a limited liability company into a joint stock limited company, and our Company was renamed as Liuliu Orchard Group Co., Ltd. (溜溜果園集團股份有限公司) on the same day. Upon completion of the conversion, the registered capital of our Company became RMB70,588,235 divided into 70,588,235 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then Shareholders in proportion to their respective equity interests in our Company before the conversion.

Immediately after the conversion into a joint stock company, our Company is held by the following shareholders who acted as promoters for the purpose of the stock conversion of our Company. The information of our promoters is set forth as follows:

| Name of shareholder | Number of Shares | Shareholding percentage |
|---|---|---|
| | | *(%)* |
| Mr. Yang | 26,460,000 | 37.49 |
| Jurun Investment | 24,600,000 | 34.85 |
| Beijing Sequoia | 10,588,235 | 15.00 |
| Kaixuan Star | 3,600,000 | 5.10 |
| Ms. Li | 2,940,000 | 4.17 |
| Kailai Star | 2,400,000 | 3.40 |
| **Total** | 70,588,235 | 100.00 |

**Series B Financing in December 2016**

On October 25, 2016, Mr. Li Qing (李青) and our Company entered into a capital increase agreement pursuant to which Mr. Li Qing subscribed for 3,715,170 Shares, representing approximately 5.00% of the shareholding of our Company, at a consideration of RMB102,631,578.95. The consideration was fully settled on October 31, 2016. The registration of the capital increase was completed on December 6, 2016. Mr. Li Qing is an experienced investor who was acquainted with our Company through mutual business connection and an Independent Third Party.

The following table sets forth the equity ownership structure of our Company upon the completion of the Series B Financing:

| **Name of shareholder** | **Number of Shares** | **Shareholding percentage** |
|---|---|---|
| | | *(%)* |
| Mr. Yang | 26,460,000 | 35.61 |
| Jurun Investment | 24,600,000 | 33.11 |
| Beijing Sequoia | 10,588,235 | 14.25 |
| Mr. Li Qing | 3,715,170 | 5.00 |
| Kaixuan Star | 3,600,000 | 4.85 |
| Ms. Li | 2,940,000 | 3.96 |
| Kailai Star | 2,400,000 | 3.23 |
| **Total** | 74,303,405 | 100.00 |

**Series C Financing between 2019 to 2021**

On December 22, 2019, Mr. Li Qing and Shenzhen Junrong entered into a share transfer agreement pursuant to which Mr. Li Qing transferred 3,715,170 Shares, representing 5.00% shareholding of our Company, to Shenzhen Junrong at a consideration of RMB118,500,000. The consideration was fully settled on January 6, 2020.

On August 29, 2020, Nuoxiang Jinhong and Mr. Yang entered into a share transfer agreement pursuant to which Mr. Yang transferred 891,641 Shares, representing 1.18% shareholding of our Company, to Nuoxiang Jinhong at a consideration of RMB28,800,000. The consideration was fully settled on October 19, 2020.

On December 15, 2020, our Company and Nuoxiang Dongchen entered into a capital increase agreement pursuant to which Nuoxiang Dongchen subscribed for 1,361,977 Shares, representing approximately 1.80% of the shareholding of our Company, at a consideration of RMB43,991,857. The consideration was fully settled on December 29, 2020. The registration of the capital increase was completed on September 8, 2021.

The following table sets forth the equity ownership structure of our Company upon the completion of the Series C Financing:

| Name of shareholder | Number of Shares | Shareholding percentage |
|---|---|---|
| | | *(%)* |
| Mr. Yang | 25,568,359 | 33.79 |
| Jurun Investment | 24,600,000 | 32.51 |
| Beijing Sequoia | 10,588,235 | 13.99 |
| Shenzhen Junrong | 3,715,170 | 4.91 |
| Kaixuan Star | 3,600,000 | 4.76 |
| Ms. Li | 2,940,000 | 3.89 |
| Kailai Star | 2,400,000 | 3.17 |
| Nuoxiang Dongchen | 1,361,977 | 1.80 |
| Nuoxiang Jinhong | 891,641 | 1.18 |
| **Total** | 75,665,382 | 100.00 |

**Capital reduction in January 2025**

On June 25, 2024, our Company and Beijing Sequoia entered into a share purchase agreement pursuant to which our Company agreed to repurchase all Shares held by Beijing Sequoia by way of capital reduction. On September 30, 2024, our then Shareholders resolved to reduce the registered share capital of our Company by RMB10,588,235. The registration of the capital reduction was completed on January 23, 2025, upon which Beijing Sequoia ceased to be our Shareholder. The following table sets forth the equity ownership structure of our Company upon the completion of the capital reduction:

| Name of shareholder | Number of Shares | Shareholding percentage |
|---|---|---|
| | | *(%)* |
| Mr. Yang | 25,568,359 | 39.29 |
| Jurun Investment | 24,600,000 | 37.80 |
| Shenzhen Junrong | 3,715,170 | 5.71 |
| Kaixuan Star | 3,600,000 | 5.53 |
| Ms. Li | 2,940,000 | 4.52 |
| Kailai Star | 2,400,000 | 3.69 |
| Nuoxiang Dongchen | 1,361,977 | 2.09 |
| Nuoxiang Jinhong | 891,641 | 1.37 |
| **Total** | 65,077,147 | 100.00 |

### Series D Financing in February 2025

On December 8, 2024, our Company, our then Shareholders, Huaan Fund and Xingnong Fund entered into a capital increase agreement pursuant to which (i) Huaan Fund subscribed for 1,210,646 Shares, representing approximately 1.80% of the shareholding of our Company, at a consideration of RMB40,000,000; and (ii) Xingnong Fund subscribed for 1,059,315 Shares, representing approximately 1.57% of the shareholding of our Company at a consideration of RMB35,000,000. The respective consideration was fully settled by Huaan Fund on December 26, 2024 and by Xingnong Fund on January 3, 2025.

The following table sets forth the equity ownership structure of our Company upon the completion of the Series D Financing:

| Name of shareholder | Number of Shares | Shareholding percentage |
|---|---|---|
| | | (%) |
| Mr. Yang | 25,568,359 | 37.97 |
| Jurun Investment | 24,600,000 | 36.53 |
| Shenzhen Junrong | 3,715,170 | 5.52 |
| Kaixuan Star | 3,600,000 | 5.35 |
| Ms. Li | 2,940,000 | 4.37 |
| Kailai Star | 2,400,000 | 3.56 |
| Nuoxiang Dongchen | 1,361,977 | 2.02 |
| Huaan Fund | 1,210,646 | 1.80 |
| Xingnong Fund | 1,059,315 | 1.57 |
| Nuoxiang Jinhong | 891,641 | 1.32 |
| **Total** | 67,347,108 | 100.00 |

## PREVIOUS APPLICATION FOR LISTING ON THE SHENZHEN STOCK EXCHANGE

Our Company submitted an application for listing of our Shares on the Shenzhen Stock Exchange on June 17, 2019 (the "**A-Share Listing Application**"). In response to the market environment at the time, our Company decided to withdraw its A-Share Listing Application on December 8, 2019. The A-Share Listing Application had not been returned or rejected by the CSRC and remained valid prior to our withdrawal. During the process of the A-Share Listing Application, save for the reason as disclosed above, we did not encounter any material difficulties or legal impediments which led us to withdraw the A-Share Listing Application.

To the best of our Directors' knowledge, our Directors are not aware of any matters relating to the A-Share Listing Application, including enquiries from the CSRC, that may pose a material adverse implication on the [REDACTED] or would affect our Company's suitability for [REDACTED] on the Stock Exchange, which should be brought to the attention of the Stock Exchange or highlighted in this document for [REDACTED] to form an informed assessment of our Company.

Based on the independent due diligence work performed by the Joint Sponsors and the information and representation given to the Joint Sponsors, nothing has come to the Joint Sponsors' attention that could cast doubts on the Directors' views set out above.

## PRE-[REDACTED] INVESTMENTS

Our Company engaged in four rounds of Pre-[REDACTED] Investments from 2015 to 2025, details of which are set out below:

| Round of Pre-[REDACTED] Investment | Name of Pre-[REDACTED] Investors | Date of Agreement | Date of Settlement of Consideration | Amount of Registered Capital Subscribed for | Consideration | Cost Per Share | Discount to the [REDACTED][2] | Shareholding in the Company upon [REDACTED] assuming the [REDACTED] is not exercised |
|---|---|---|---|---|---|---|---|---|
| | | | | (RMB) | (RMB) | (RMB) | | |
| Series A | Beijing Sequoia[1] | June 25, 2015 | June 30, 2015 | 10,588,235 | 135,000,000 | 12.75 | [REDACTED]% | N/A |
| Series B | Mr. Li Qing[1] | October 25, 2016 | October 31, 2016 | 3,715,170 | 102,631,579 | 27.63 | [REDACTED]% | N/A |
| Series C | Shenzhen Junrong | January 6, 2020 | January 6, 2020 | 3,715,170 | 118,500,000 | 31.90 | [REDACTED]% | [REDACTED]% |
| Series C | Nuoxiang Jinhong | August 29, 2020 | October 19, 2020 | 891,641 | 28,800,000 | 32.30 | [REDACTED]% | [REDACTED]% |
| Series C | Nuoxiang Dongchen | December 15, 2020 | December 29, 2020 | 1,361,977 | 43,991,857 | 32.30 | [REDACTED]% | [REDACTED]% |
| Series D | Huaan Fund | December 8, 2024 | December 26, 2024 | 1,210,646 | 40,000,000 | 33.04 | [REDACTED]% | [REDACTED]% |
| Series D | Xingnong Fund | December 8, 2024 | January 3, 2025 | 1,059,315 | 35,000,000 | 33.04 | [REDACTED]% | [REDACTED]% |

*Note:*

(1) As of the Latest Practicable Date, such investors had ceased to be our Shareholders.

(2) Assuming the [REDACTED] is fixed at HK$[REDACTED], being the mid-point of the indicative [REDACTED] range.

### Basis of consideration

The consideration of each round of Pre-[REDACTED] Investments were determined based on arm's length negotiation with our respective Pre-[REDACTED] Investors and our Group and/or the then Shareholders after taking into consideration of the timing of the investments, our valuation at the time the investment agreement was entered into, the status of our business operations, financial performance of our Group, and the prospect of our business.

**Use of Proceeds from the Pre-[REDACTED] Investments**

As of the Latest Practicable Date, the net proceeds from the Pre-[REDACTED] Investments (other than the transfers of Shares between our Shareholders where our Group did not receive any proceed) has been fully utilized for our general operation and business development.

**Strategic benefits of the Pre-[REDACTED] Investments**

Our Company was of the view that we could benefit from the insight for industry, the knowledge and experience of the Pre-[REDACTED] Investors and the additional funds provided by them. We obtained capital for development and expansion of our business. Moreover, their investments showed their confidence in our Group's operations and served as an endorsement of our Group's performance and prospects.

**Lock-up Period**

Pursuant to the applicable PRC laws, within the 12 months following the [REDACTED], all existing Shareholders (including our Pre-[REDACTED] Investors) shall not dispose of any of the Shares held by them.

**Special Rights of Our Pre-[REDACTED] Investors**

The Pre-[REDACTED] Investors were granted certain special rights, including, without limitation, the right to require redemption of the Shares by the Company or Mr. Yang (the "**Redemption Rights**"), information rights, the right to appoint Directors or Supervisors, rights of first refusal, drag-along rights, pre-emptive rights, and most-favored-nation rights (collectively, the "**Non-Redemption Special Rights**", and together with the Redemption Rights, the "**Special Rights**"). The Redemption Rights and the Non-Redemption Special Rights granted to the Pre-[REDACTED] Investors were terminated before our first submission of the application for [REDACTED]. In the event that our Company fails to achieve a [REDACTED] on any domestic or [REDACTED] within 12 months from the date of the relevant [REDACTED] application (including cases where the Company withdraws the [REDACTED] application, the application is terminated, rejected, not registered, or not approved by the competent authorities, or where the application receives formal [REDACTED] approval but the [REDACTED] and [REDACTED] are not ultimately completed), the Redemption Rights borne by Mr. Yang, but not the Company, shall be reinstated. No Special Rights will survive after the [REDACTED].

**Information regarding our Pre-[REDACTED] Investors**

***Shenzhen Junrong***

Shenzhen Junrong was established as a limited partnership on September 8, 2015 under the PRC laws. As of the Latest Practicable Date, Shenzhen Junrong was owned as to approximately (i) 84.03% by Ms. Fan Wenhua (樊文花); (ii) 3.05% by Mr. Xu Lianzheng (徐連政), who is our non-executive Director and a limited partner of Shenzhen Junrong; and (iii) 12.92% by three general partners and one limited partner, with their respective interest in Shenzhen Junrong ranging from 0.10% to 8.40%. To the best knowledge of our Directors, save as Mr. Xu Lianzheng, each of Ms. Fan, the general partners and the other limited partner of Shenzhen Junrong are Independent Third Parties.

***Nuoxiang Jinhong and Nuoxiang Dongchen***

Nuoxiang Jinhong was established as a limited partnership on May 25, 2020 under the PRC laws. As of the Latest Practicable Date, Nuoxiang Jinhong was owned as to approximately (i) 41.27% by Guiyang Zhongtian Jiachuang Investment Co., Ltd. (貴陽中天佳創投資有限公司) ("**Guiyang Zhongtian**"); (ii) 3.17% by its general partner Shanghai Nuoxiang Wealth Asset Management Co., Ltd.* (上海諾享財富資產管理有限公司) ("**Shanghai Nuoxiang**"); and (iii) 55.56% by other seven limited partners, with their respective interest in Nuoxiang Jinhong ranging from 3.17% to 15.87%. Guiyang Zhongtian is indirectly controlled by Zhongtian Financial Group Company Limited* (中天金融集團股份有限公司), which was delisted from the Shenzhen Stock Exchange on June 30, 2023 and is ultimately controlled by Mr. Luo Yuping (羅玉平). Shanghai Nuoxiang was owned as to (i) 20% by Mr. Hu Xiang (胡翔), who is our Supervisor; (ii) 40% by Mr. Hu Xiaozhao (胡小舟), who is Mr. Hu Xiang's father; and (iii) 40% by four other individuals. To the best knowledge of our Directors, save as disclosed above, each of Guiyang Zhongtian and the other seven limited partners of Nuoxiang Jinhong are Independent Third Parties.

Nuoxiang Dongchen was established as a limited partnership on October 13, 2020 under the PRC laws. As of the Latest Practicable Date, Nuoxiang Dongchen was owned as to (i) 31.76% by Mr. Lin Jianzhong (林劍忠); (ii) 2.12% by its general partner Shanghai Nuoxiang; (iii) 14.82% by Guiyang Zhongtian; and (iv) 51.30% by five other limited partners, with their respective interest in Nuoxiang Dongchen ranging from 6.35% to 13.19%. To the best knowledge of our Directors, save as disclosed above, each of Mr. Lin Jianzhong, Guiyang Zhongtian, and the other five limited partners of Nuoxiang Dongchen are Independent Third Parties.

### *Huaan Fund*

Huaan Fund was established as a limited partnership on July 29, 2023 under the PRC laws. As of the Latest Practicable Date, Huaan Fund was owned as to (i) 25% by Wuhu Fanchang Chungu Industrial Investment Fund Co.* (蕪湖市繁昌春穀產業投資基金有限公司) ("**Fanchang Chungu**"); (ii) 25% by Anhui Carbon Neutral Fund Co.* (安徽省碳中和基金有限公司); (iii) 20% by Wuhu Industrial Investment Fund Co.* (蕪湖產業投資基金有限公司); (iv) 20% by Huaan Jiaye Investment Management Co.* (華安嘉業投資管理有限公司) ("**Huaan Jiaye**"), its general partner; and (v) 10% by Anhui Jingrui Advanced Manufacturing Industry Investment Fund Partnership (Limited Partnership)* (安徽晶瑞先進製造產業投資基金合夥企業(有限合夥)). Huaan Jiaye is wholly-owned by Huaan Securities Co., Ltd.* (華安證券股份有限公司), which is a company listed on Shanghai Stock Exchange (stock code: 600909). To the best knowledge of our Directors, each of Huaan Fund, Huaan Jiaye and the other three limited partners are Independent Third Parties.

### *Xingnong Fund*

Xingnong Fund was established as a company with limited liability on December 21, 2021 under the PRC laws. As of the Latest Practicable Date, Xingnong Fund was indirectly wholly-owned by Wuhu Fanchang District Finance Bureau (Wuhu Fanchang District Government State-owned Assets Supervision and Administration Commission)* (蕪湖市繁昌區財政局(蕪湖市繁昌區政府國有資產監督管理委員會)). To the best knowledge of our Directors, Xingnong Fund and its ultimate beneficial owner are Independent Third Parties.

### PRC Legal Advisor's Confirmation

As advised by our PRC Legal Advisor, our Company has obtained all necessary approvals from competent authorities or made all necessary registration or filings with the relevant local branch of the State Administration for Market Regulation (國家市場監督管理總局) in respect of the Pre-[REDACTED] Investments in material aspects set out above.

### Compliance with Pre-[REDACTED] Investment Guidance

The Joint Sponsors confirm that the Pre-[REDACTED] Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants published by the Stock Exchange, on the basis that (i) the consideration for the Pre-[REDACTED] Investments was settled more than 28 clear days before the first filing of the [REDACTED] application by our Company with the Stock Exchange, and (ii) no special rights will survive the [REDACTED].

## [REDACTED]

Following the completion of the [REDACTED] and filing procedure with the CSRC, [REDACTED] Domestic Shares held by the existing Shareholders will be converted into H Shares on a one-for-one basis and [REDACTED] on Stock Exchange for [REDACTED]. The [REDACTED] H Shares converted from Domestic Shares, representing approximately [REDACTED]% of the total issued share capital of our Company immediately after the [REDACTED], will be considered as part of the [REDACTED] upon [REDACTED]. See "Substantial Shareholders" for details.

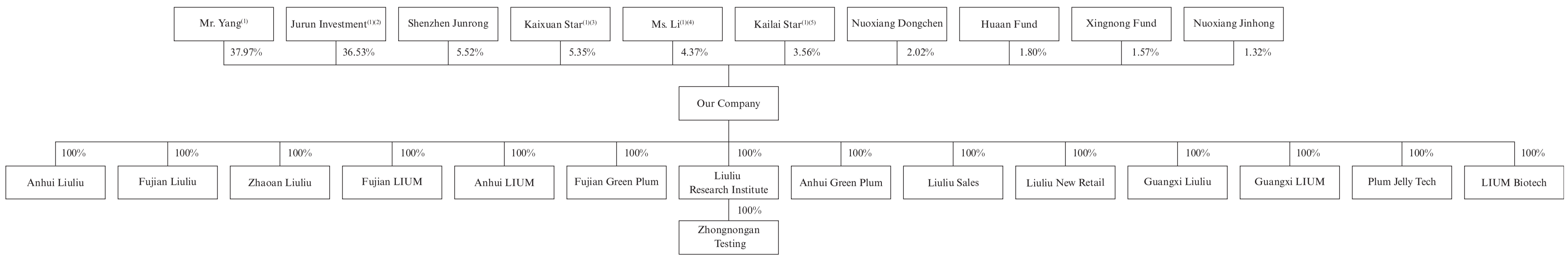
## PRE-[REDACTED] SHARE INCENTIVE PLAN

In recognition of the contributions of our employees and to incentivize them to further promote our development, Kailai Star and Liuliu Star were established as our employee shareholding platforms in the PRC. As of the Latest Practicable Date, Kailai Star held approximately 3.56% shareholding in our Company while Liuliu Star, as a limited partner of Kailai Star, held 41.67% partnership interest in Kailai Star. Mr. Yang is the general partner of Kailai Star, whose limited partners include Liuliu Star and 31 other individuals, including Mr. Mei Huixiang, Mr. Ning Pengfei and Ms. Hu Yan, who are our executive Directors, Ms. Zhang Wenxia, our Supervisor, and other employees of our Company. Liuliu Star has 18 limited partners, including Mr. Gou Bin, who are our executive Directors, and other senior management or employees of our Company, and Mr. Yang is the general partner of Liuliu Star. See "Appendix VI — Statutory and General Information — D. Pre-[REDACTED] Share Incentive Plan" for details.

Pursuant to the partnership agreements of Kailai Star and Liuliu Star, the general partner of Kailai Star and Liuliu Star, i.e. Mr. Yang, can independently exercise the voting rights attached to the Shares owned by Kailai Star and Liuliu Star.

## CORPORATE STRUCTURE

The following chart sets forth our corporate structure immediately prior to the [REDACTED]:




*Notes:*

1. Mr. Yang is deemed to be interested in the Shares held by Ms. Li, who is Mr. Yang's spouse, Jurun Investment, Kaixuan Star and Kailai Star. See "Substantial Shareholders".

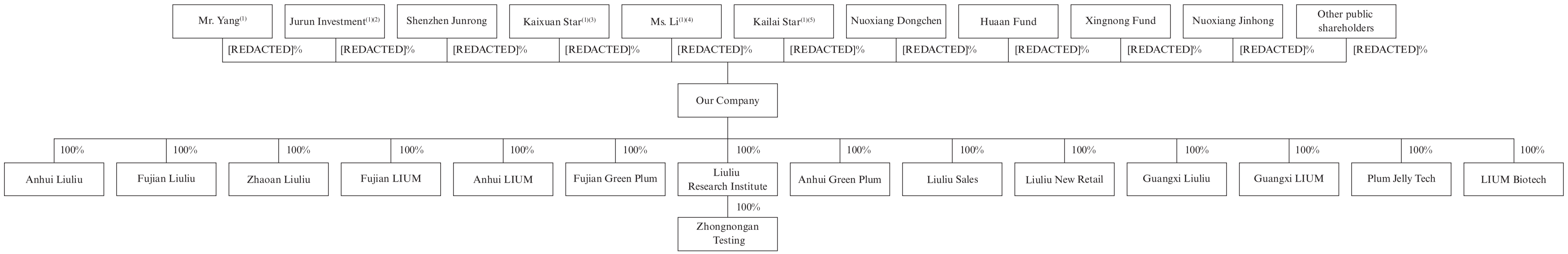
2. As of the Latest Practicable Date, Jurun Investment was held as to 90% and 10% by Mr. Yang and Ms. Li, respectively.

3. Kaixuan Star is owned as to approximately 15.28% by Mr. Yang, approximately 5.56% by Ms. Li, approximately 70.83% by Mr. Yang's family members, and approximately 8.33% by Independent Third Parties, and Mr. Yang was the general partner of Kaixuan Star.

4. Ms. Li is Mr. Yang's spouse, and therefore is deemed to be interested in the Shares held by Mr. Yang. See "Substantial Shareholders".

5. Kailai Star is our share incentive platform controlled by the general partner, Mr. Yang, in accordance with the Pre-[REDACTED] Share Incentive Plan. See "— Pre-[REDACTED] Share Incentive Plan" for details.

The following chart sets forth our corporate structure immediately after the completion of the [REDACTED], without taking into account any H Share which may be [REDACTED] upon the exercise of the [REDACTED]:




*Notes:*

1. Mr. Yang is deemed to be interested in the Shares held by Ms. Li, who is Mr. Yang's spouse, Jurun Investment, Kaixuan Star and Kailai Star. See "Substantial Shareholders".

2. As of the Latest Practicable Date, Jurun Investment was held as to 90% and 10% by Mr. Yang and Ms. Li, respectively.

3. Kaixuan Star is owned as to approximately 15.28% by Mr. Yang, approximately 5.56% by Ms. Li, approximately 70.83% by Mr. Yang's family members, and approximately 8.33% by Independent Third Parties, and Mr. Yang was the general partner of Kaixuan Star.

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5. Kailai Star is our share incentive platform controlled by the general partner, Mr. Yang, in accordance with the Pre-[REDACTED] Share Incentive Plan. See "— Pre-[REDACTED] Share Incentive Plan" for details.

## OUR MISSION

Letting the world savor the delightful taste of plums (讓世界共享「梅」好).

## OUR VISION

To become the leading fruit-based natural food company in China (成為中國果類天然食品領創企業).

## WHO WE ARE

We are a pioneer in fruit snacks and a leader of plum-based products in China. We also aspire to promote plum culture and to introduce natural and healthy snacking options through our continuous innovation efforts. Guided by our "Plum + " product development strategy, we have built a diverse plum-based products portfolio ranging from classic products crafted with traditional techniques to innovative products fused with complex flavors, catering to a wide range of taste profiles. Through our multi-faceted sales channels and robust R&D capabilities, we are committed to delivering various nutritious fruit snacks crafted with quality raw materials to a wide range of consumers. Since the launch of our iconic brand in 2001, we have firmly pursued the mission of "letting the world savor the delightful taste of plums" by deepening our expertise in the plum-based products industry and unlocking the culinary potential of sour flavors within plums. We have consistently expanded product matrix and vertically integrated our value chain, delivering superior products and setting the industry standards.

We focus on fruit snacks and other innovative snacking options catering to health-conscious consumers. In 2024, we ranked first in China's fruit snacks industry in terms of the retail sales value, with a market share of 4.9%, according to Frost & Sullivan. Crafted with our proprietary green plum nectar and other fruit nectar, our disruptive plum jelly rapidly captured consumer bases. As a result, according to Frost & Sullivan, in 2024, we ranked first in China's natural jelly industry in terms of retail sales value, representing a market share of 45.7%.

Our brand is synonymous with plum-based products, owing to our decades-long foothold in the industry. According to Frost & Sullivan, in 2024, we ranked first in China's plum-based products industry in terms of retail sales value, representing a market share of 7.0%. Within specific segments, we ranked first for four consecutive years in both green-plum-based fruit snacks industry and prune-based fruit snacks industry from 2021 to 2024, in terms of retail sales value, according to the same source. Plum-based products, due to their natural content of digestion-aiding components, organic acids and antioxidant substances, align with the modern consumers' pursuit of a healthy lifestyle and meet their demand for functional health-conscious foods. Driven by their rising health consciousness, Chinese consumers are increasingly prioritizing food safety and nutritional value, while demonstrating a stronger willingness to pay a premium for snacks featuring health attributes, generating market opportunities for plum-based products that are rich in vitamins, organic acids and polyphenols. According to Frost & Sullivan, the market size of China's plum-based products industry grew from RMB27.3 billion in 2020 to RMB49.9 billion in 2024 with a CAGR of 16.3%, and the market size is expected to further increase to

RMB93.7 billion in 2029. In addition, the market size of green-plum-based fruit snacks grew from RMB5.1 billion in 2020 to RMB9.1 billion in 2024 with a CAGR of 15.5%, and the market size is expected to reach RMB17.0 billion in 2029, with a CAGR of 13.0%. In the meantime, the market size of prune-based fruit snacks grew from RMB2.4 billion in 2020 to RMB4.1 billion in 2024 with a CAGR of 14.6%, and the market size is expected to reach RMB8.2 billion in 2029, with a CAGR of 14.9%.

Drawing on the Chinese phrase, "suan liu liu" ("酸溜溜"), which stands for mouthwatering sourness, our Liuliumei brand can be instantly associated with the sour flavor sensation. Positioning ourselves as the ambassador of plum culture and an expert of sour flavors, we have leveraged our decades-long industry expertise and deep market insights to harmonize the rich heritage of plum-based products with plum's signature sour flavor profile, establishing the "Plum＋" product development strategy. Pursuing this strategy, we have presented three major product categories: dried plum snacks, prune-based products and plum jelly, as well as other plum-based products, such as plum gummy and plum tea concentrate. Our dried plum snacks, such as Snow Plum and Refreshing Plum, have received enduring popularity. During the Track Record Period, our revenue generated from the sales of dried plum snacks grew steadily. Besides our dried plum snacks, our plum jelly also garnered popularity once it was introduced, capturing a market share of 2.9% in China's jelly industry in 2024 and making us one of the major market players and a leader in natural jelly industry. During the Track Record Period, we generated revenue from the sales of plum jelly of RMB230.3 million, RMB311.1 million and RMB410.4 million in 2022, 2023 and 2024, respectively. To further diversify our offerings, we had introduced plum gummy in 2025, reinforcing our market position as a leading company focusing on plum-based products and manifesting our "Plum＋" product development strategy.

Moreover, our integrated supply chain ensures the premium quality of our products, implementing rigorous quality control processes covering from raw material selection to manufacturing process, thereby reinforcing our market leadership:

- ***Raw materials***: To ensure our quality control over raw materials and bargaining power against the upstream suppliers, we procure plums in all major plum sourcing regions in China. In the meantime, we also encouraged the planting of green plums by offering technical guidance, such as seedling and orchard management, to farmers in major plum sourcing regions. On the other hand, with respect to our prune-based products, we have forged strong partnerships with premium prune farms in renowned sourcing regions, including Chile, France and the U.S., to ensure high-quality raw material supply at competitive price.

- ***Production***: We adopted various measures to ensure the food safety and finished product quality throughout the production process. Specifically, we established production bases in major plum sourcing regions in China, including Anhui, Fujian and Guangxi, ensuring short wait times between the harvest and preliminary processing, which guarantees the quality of our products.

We also established the plum jelly factory in 2022, deploying cutting-edge food processing equipment and technology to extend the shelf life of our plum jelly products without adding preservatives. Furthermore, we continuously invest in the production automation to enhance our production efficiency and further drive down our production costs, achieving the highly automated intelligent production.

The successes of our products illustrate our capabilities in translating our R&D initiatives into popular products. Besides product innovations and upgrades, our fundamental R&D initiatives pave the way for our product development. Capitalizing on our brand recognition and industry expertise, we led the formation of the National Plum Innovation Alliance and established Liuliumei Research Institute, which focus on the fundamental research of plum varieties and drive our innovations of our plum-based products. We also collaborate with universities and research institutions to develop plum varieties with desirable traits such as high fruit-bearing rates, high yield, rich flavor and strong resistance to pests and diseases. For instance, our Liuliumei No.1 and No. 2 variety, developed in partnership with Nanjing Agricultural University, received the Plant Variety Rights Certificate from the Ministry of Agriculture. Our Liuliumei No. 3 and No. 4 varieties have been awarded the Anhui Province Quality Certificate (安徽省良種證). In addition, we work with the Guangdong Academy of Agricultural Sciences to study mumefural (梅素), which can promote blood circulation and prevent cardiovascular diseases, strengthening our position as plum expert. As of December 31, 2024, we have 42 invention and utility model patents that are material to our business operations, and we are recognized as a Provincial Enterprise Technology Center.

Our multi-faceted sales network combines direct sales efforts and distributorship network that encompass both online and offline scenarios. We have effectively capitalized on the growth opportunities brought by emerging retail channels, such as snack stores and membership stores. By offering products in differentiated packaging tailored to each channel's target customer base, we effectively promote our product portfolio. Leveraging our comprehensive distribution network, we have successfully amplified our shelf presence across cities of different tiers. Our decades-long channel development has cultivated a nationwide distribution network with 1,396 distributors covering 34 provinces and municipalities as of December 31, 2024. We also operate online flagship stores and engage with other online platforms, such as e-commerce and live commerce, to expand our market reach. Concurrently, we are also actively expanding overseas markets, such as Japan, Korea and Southeast Asia, while adopting culturally adaptive sales and marketing strategies.

Drawing on our widely popular products and memorable marketing campaigns, we have established our brand as a widely-recognized brand among consumers nationwide. Positioning ourselves as the ambassador promoting the longstanding plum culture, we have implemented culture-driven marketing campaigns that highlight the rich cultural and historical roots of plum-based products. We also carefully select celebrities and KOLs who seamlessly align with our brand image to appeal to younger consumers and to extend our brand influences. To further penetrate existing customer bases while introducing our brand to new ones, we collaborate with selected retail customers and cross-industry brands to develop customized products or co-branding products, thereby increasing our brand visibility. Our brand was honored as one of the Top Ten Innovative Brands in China's Food Industry in 2016. Meanwhile, our products have been highly praised, with our plum jelly products winning the Gold Award at the National Competition for Special Tourism Products in 2021 and the Superior Taste Award 1-Star Medal by the International Taste Institute in 2023.

During the Track Record Period, we achieved strong growth. In 2022, 2023 and 2024, our total revenue amounted to RMB1,174.0 million, RMB1,322.0 million and RMB1,616.0 million, respectively. Our gross profit had continuously increased during the Track Record Period, being RMB453.2 million, RMB529.7 million and RMB582.5 million in 2022, 2023 and 2024, respectively. We also effectively managed our costs and enjoyed benefit from economies of scale, recording net profit of RMB68.4 million, RMB99.2 million and RMB147.7 million in 2022, 2023 and 2024, respectively.

## OUR STRENGTHS

### Pioneer in snack industry and leader of plum-based products spearheading the industry development.

Leveraging our continuous product innovations and prominent brand recognition, we lead in several segments of snack industry. According to Frost & Sullivan, in 2024, we ranked first in China's fruit snacks industry in terms of retail sales, with a market share of 4.9%. Meanwhile, our disruptive plum jelly had rapidly gained widespread market acceptance. According to the same source, in 2024, we were the leader of natural jelly products in China in terms of retail sales, with a market share of 45.7%. The market segments in which we operate in present substantial market opportunities for our sustainable growth. According to Frost & Sullivan, the market size of fruit snacks industry by retail sales value was RMB52.0 billion in 2024, and is expected to reach RMB78.0 billion in 2029, at a CAGR of 8.6% from 2025; the market size of natural jelly industry by retail sales value was RMB2.0 billion in 2024, and is expected to reach RMB10.7 billion in 2029, at a CAGR of 39.8% from 2024. Through our market leadership and diversified product offerings, we are well-positioned to seize emerging market opportunities, extend our reach to new segments of snack industry.

Since the launch in 2001, our brand has become synonymous with plum-based products. Relying on our proprietary formulas and sophisticated craftsmanship, we developed a diversified portfolio of dried plum snacks. Our signature dried plum snacks that are crafted with traditional techniques, such as Snow Plum and Refreshing Plum, enjoy enduring popularity and widespread acceptance across various consumer demographics. According to Frost and Sullivan, we ranked first for four consecutive years in green-plum-based fruit snacks industry in terms of retail sales from 2021 to 2024. Dedicated to the spirit of innovation, we have also blended the taste of plums with other distinct flavors, introducing innovative dried plum snacks with complex flavors, such as our pineapple-flavored plum and sour-spicy plum.

Building on the success in dried plum snacks, we are also actively exploring new raw materials to expand our fruit snacks portfolio. Finding that prunes have distinctive ingredients such as anti-oxidants, improving metabolism besides their well-balanced sweet and sour taste, we have focused on developing prune-based snacks in recent years. We introduced our first prune-based product in 2016, and established "Fiber Life" pitted prune-based product in response to the rising demand for healthy and natural fruit snacks. Using our advanced processing techniques and finest prunes sourced from renowned sourcing regions, we deliver a palatable and nutritious product that had gained rapid market acceptance. According to Frost & Sullivan, we ranked first in China's prune-based fruit snacks industry for four consecutive years from 2021 to 2024.

Other than dried plum snacks and prune-based products, our plum jelly represents a milestone in our product innovation strategy, marking the successful expansion into natural snacking option for health-conscious consumers. Recognizing the rising market demand for convenient, low-calorie and additive-free products, we integrated cutting-edge food processing technology with our signature green plum nectar to develop plum jelly that has a 9-month shelf life without adding any preservatives. Our disruptive plum jelly effectively addresses longstanding pain points of jelly industry regarding the use of artificial additives, redefining the consumer perception of the jelly products. The popularity of our plum jelly products has been unequivocally validated by the success of our marketing campaigns. In particular, a 15-minute livestream commerce campaign of plum jelly products with our then brand ambassador attracted over 12 million views and generated over RMB10 million sales value. Our plum jelly had also rapidly captured consumer mindshare. According to Frost & Sullivan, in 2024, we were a major player in China's jelly industry in terms of retail sales value, representing a market share of 2.9%, and we ranked first in China's natural jelly industry in terms of retail sales value, representing a market share of 45.7%. We had also launched "Dameida" plum gummy in 2025, showing our unwavering commitment to expanding into different segments of snack food industry and bringing innovative snacks to health-conscious consumers.

Moreover, we led the formation of various industry alliances such as National Plum Innovation Alliance, integrating the industry resources within the snack food industry to fully unlock the culinary potential of plums. Additionally, we helped to formulate industry standards, such as "Provincial Standard for Plum Seedlings" and the "Provincial Standard for Plum Cultivation," further solidifying our leading position in the industry.

**Ambassador of plum-based products and expert of sour flavors, offering diversified and nutritious products through dedicated R&D efforts.**

Drawing on the Chinese phrase, "suan liu liu," our Liuliumei brand can be instantly associated with the mouthwatering sour flavor sensation. Established ourselves as the ambassador of plum-based products and an expert of sour flavors, we have established a vertically integrated R&D system that spans across the entire industry chain of plum-based products from the fundamental research on plum varieties to market-oriented product development.

As a leader of plum-based products, we actively promote the industry development through various fundamental R&D initiatives. In particular, we led the establishment of Liuliumei Research Institute and the formation of the National Plum Innovation Alliance, which facilitate the fundamental research on the plum's culinary and medicinal value and plum planting techniques. Our fundamental R&D highlights encompass the development of patented high-yield and pest-resistant plum varieties and research of extracting mumefural. As of December 31, 2024, we had obtained 42 invention and utility model patents that are material to our business, and we are recognized as a Provincial Enterprise Technology Center.

We are committed to continuously innovating products' flavors and expanding product categories, bringing unique taste experience for consumers. We actively pursue the "Plum +" product development strategy, a plum-centric product development philosophy that blends the natural sour taste of plums with other innovative flavors and versatile product types, such as jelly, confectionery, beverages and condiments. Our success in launching plum jelly illustrated our robust product R&D capabilities of developing commercially successful plum-based products. Additionally, to expand into the confectionery sector, we had also launched the plum gummy in 2025, which integrated natural plum extracts to deliver refreshing tastes and reinvigorating effects. Our plum gummy further validates our strong R&D capabilities to offer disruptive, tasty plum-based snacking options. Looking forward, in the condiment sector, we plan to launch plum-based seasoning products, aiming to bring plum elements to Chinese consumers' daily lifestyles.

Leveraging our market insights and product R&D capabilities, we continuously upgrade our existing offerings to accommodate various consumption scenarios. For instance, to alleviate the coughs and throat discomfort experienced by some consumers, we added herbal essences like mint, monk fruit and honeysuckle into Snow Plum, which delivers cooling and soothing tastes, making Snow Plum a companion for consumers experiencing throat discomfort. Another example is Crispy Green Plum: after discovering that the green plum varieties sourced from southern Anhui and Jiangsu, Zhejiang provinces have lower tannin content and less bitterness, yet with a crispy taste, we developed Crispy Green Plum featuring such unique attributes. Furthermore, recognizing the shifting consumer preferences for snacks with complex flavors in recent years, we had also made several bold attempts to introduce innovative flavors that attract younger consumers who pursue sophisticated taste profiles, reinforcing our brand positioning as the ambassador of plum-based products.

Similarly, since the launch of our plum jelly products, we have continuously innovated and refined products by introducing seasonal-themed plum jelly products that feature flavors reflecting unique features of certain seasons. Through the strategic incorporation of natural fruit nectar such as spring citrus blends featuring orange and grapefruit, as well as refreshing summer combinations including lychee and pineapple, we had delivered spring- and summer-themed plum jelly products. This adaptive product development approach has transformed plum jelly products into a year-round staple, achieving sustained sales momentum even during seasons when the demand for traditional jelly products troughs. By successfully addressing the industry's longstanding pain point of seasonality, we have redefined the jelly industry, further demonstrating our disruptive R&D capabilities.

Moreover, we have steadily increased our cross-industry collaborations with our business partners. Combining our expertise in developing plum-based products and mastery of sour flavor profiles with their specialized techniques, we delivered co-branding plum-flavored products that were widely accepted by consumers, further establishing ourselves as an expert of sour flavors. We also developed customized products for certain customers and channels. In particular, our partnership with membership stores epitomizes our capabilities of penetrating the premium customer bases through robust R&D efforts and effective marketing strategies. By recognizing a membership store's consumers' rigorous demand for natural and healthy food, we innovatively combined millennium-old plum decoction techniques with modern acid-lock technology, crafting exclusively with tree-ripened green plums of 3L size and grade A quality to introduce the Premium Plum with optimal sweet-sour flavor balance without any additives. Within eight days since its launch in 2024, our Premium Plum ranked No.1 on this membership store's New Product Hot List, quickly garnering widespread popularity.

**Comprehensive sales network and diversified marketing campaigns, deeply penetrating the markets at all levels.**

*Comprehensive Sales Network*

Our comprehensive and diversified channel networks that span from offline to online channels and combine direct sales with distributorship are crucial to our extensive market expansion and industry leadership. Recognizing the recent market trend, we promptly seize the growth opportunities brought by emerging retail channels, such as snack stores and membership stores, in recent years. We have established stable partnerships with major retailers. For instance, we offer customized products of differentiated packaging to snack stores, catering to their target consumers' consumption behaviors. By leveraging this sales expertise and their extensive consumer bases, we have enhanced our products' shelf presence, thereby increasing brand and product recognition among customers and gaining more direct access to target consumer bases with a high demand for snacks. With the rising per capita income, membership stores have also experienced rapid growth in China, gathering loyal consumers who are willing to pay premium prices for high-quality products. Through providing customized products for these membership stores, we have fostered a close connection with them, capturing their growing customer bases and extending our reach to the premium-tier market.

Recognizing the potential of e-commerce channels and growing popularity of live commerce among young consumers, we have built an online sales network on major e-commerce and live commerce platforms, operating our flagship stores and hosting large-scale live commerce events.

In addition to our direct sales, our comprehensive distribution network ensures our reach to a wide range of customers. As of December 31, 2024, we had engaged 1,396 distributors, covering 34 provinces and municipalities. Leveraging our distributors' sales expertise and familiarity of local markets, we had sold our products to the tier-3 cities and below. In particular, we strategically offer customized products tailored for certain of our distribution channels, catering to the target consumer bases' consumption patterns and deepening our penetration in lower-tier cities.

***Diversified Marketing Campaigns***

Our culture-driven marketing campaigns also drive our sales performance, promoting plum-based products and appealing to customers of different demographics. Multimedia marketing campaigns, coupled with various forms of offline promotional activities, continuously amplify our brand recognition. We also pay particular attention to interactive communication, livestreaming the daily operations of the plum industry covering the seedling and processing, as well as the value proposition and culture of our brand. Additionally, we strategically establish partnerships with celebrities who may convey our energetic and youthful brand image to young consumers. Through live events or product campaigns featuring our celebrity brand ambassadors, we can quickly amplify our presence on mainstream platforms and effectively promote our new products to a broad consumer group. Besides direct sales impact, the event also triggered a buzz on internet, generating over one billion views and over one million discussion posts on social media platforms.

As an ambassador of plum culture, we actively promote the rich heritage of plum-based products. For example, we host annual events like the "66 Plum Festival," passing on the traditional Chinese plum culture while appealing to the cultural sensibilities of younger generations. Coupled with our extensive marketing campaigns on social media platforms, we have reached widespread popularity. For example, our topic "China Plum, Liuliumei" reached 1.6 billion clicks on Weibo, remaining on the top of the Hot Search List. Through these campaigns, we spread the knowledge relating to the history and health benefits of plum-based products, while subtly introducing our products to the target consumer bases.

We actively deploy overseas channels, aiming to expand the target market for our business while promoting traditional Chinese plum culture worldwide. In recent years, we have actively embarked on brand globalization, building overseas channels and establishing friendly relationships with distributors worldwide. As of December 31, 2024, our products had been primarily sold to Japan, South Korea and Southeast Asia.

**Integrated supply chain covering raw material procurement to meticulous production management.**

As a leader in China's plum-based products industry, we are committed to delivering superior quality by securing high-quality raw materials. We have strategically established our production bases near key plum-growing regions across Southwest, South and East China, significantly reducing the time from raw material procurement to production. Additionally, we maintain robust, long-term partnerships with local plum farmers by offering them advanced planting techniques, proprietary plum varieties and price stabilization support. We procure plums from all major plum-sourcing regions in China, securing a reliable supply of high-grade plums at competitive prices while being resilient against price volatility and supply disruptions from certain production areas. Similarly, for our prune-based products, we directly source prunes from various reputable farms to uphold quality while effectively controlling procurement costs. Our close relationships with upstream suppliers, coupled with reliable high-quality raw material sources, enable us to exercise end-to-end quality control, thereby ensuring a strong bargaining power against upstream suppliers while maintaining our cost advantage. Beyond producing plum-based offerings, we apply stringent standards when selecting fruits for our plum jelly products, acquiring fruits from their prime sourcing areas and processing them immediately. By guaranteeing product quality at its source, we reinforce our premium brand image and strengthen the consumer association between our brand and superb products.

Other than our control over raw materials, we have implemented a modern production system incorporating advanced food processing equipment and production automation technologies, enhancing production efficiency while guaranteeing product quality. Due to the perishable nature of our raw materials, we have implemented meticulous production management to prevent contamination, immediately processing raw materials once they are received.

We also actively invest in constructing state-of-the-art food processing facilities. In 2022, we launched our Plum Jelly Plant to specialize in producing high-quality plum jelly products. We are Orihiro's exclusive strategic partner in China. As a part of our ten-year strategic partnership with Orihiro, we introduced the advanced jelly production line to preserve the freshness of our plum jelly products for up to nine months without any preservatives or additives. We also adopted various advanced technologies for other key production steps, such as preliminary processing and packaging. These technologies ensure that our products can preserve their authentic flavors and avoid external contamination by automating certain key production steps.

**Experienced management team with entrepreneurship and market insights, dedicated to promoting plum culture through high-quality plum-based products.**

Our team is committed to promoting plum culture, upholding our mission of "letting the world savor the delightful taste of plums." Driven by our "Plum +" product development strategy that focuses on harmonizing the unique flavor of plums with various flavors and exploring the medicinal and edible homology, we position our brand as an ambassador of plum-based products that brings the rich cultural heritage of plums to Chinese consumers' daily diets.

Our founder, Mr. Yang, maintains entrepreneurial passion, having dedicated himself to the plum-based food industry for more than two decades. Through his vision and market insights, we have become China's leading brand of plum-based products and fruit snacks, while aspiring to introduce more innovative products. Our management team shares unified values and collaborates seamlessly, possessing an average of 20 years of industry experience. In addition, supported by a comprehensive talent management system, we have built a well-structured and talented team capable of executing our strategic objectives with precision.

As a flagship enterprise of the industry, we also actively assume social responsibilities to expand our influences. In Southern Anhui, we encourage the plum cultivation, securing long-term cooperation agreements with local farmers to facilitate their farming practice while mitigate market risks. We have also spearheaded the national "851 Project" for the industry, which encouraged farmers to grow plums in major plum sourcing regions in China by providing farmers with comprehensive guidance on planting techniques and our proprietary high-quality plum varieties.

## OUR GROWTH STRATEGIES

As a pioneer in fruit snacks products and a leader of plum-based products in China, we are committed to promoting the plum culture by offering high-quality plum-based products, letting the world savor the delightful taste of plums ("讓世界共享「梅」好"). We intend to implement the following strategies:

**Enrich our product offerings through continued R&D efforts.**

Aligned with our dedication to elevate the plum culture, we are committed to the fundamental and product R&D, aiming to enrich our product portfolio and drive the development of the entire plum-based products industry. Through leading the formation of industrial alliances, such as National Plum Innovation Alliance and establishing Liuliumei Research Institute, we work closely with top-tier academic institutions, agricultural research organizations and industry-leading snack food enterprises. These industrial alliances and research initiatives drive the technological advancements in the production and processing capabilities, develop innovative and distinctive products, and enhance the quality and yield of plum varieties.

- As an industry pioneer, our fundamental R&D efforts plan to focus on cultivating high-quality plum varieties and developing efficient planting techniques. Our fundamental R&D initiatives ensure the availability of high-quality raw materials and promote efficient plum farming practices, empowering the entire value chain of the plum-based products industry.

- Insights from our R&D initiatives on the value of plums, combined with advancements in our food processing technologies, facilitate the development of innovative products, which differentiate us from competitors. We plan to continue to integrate other innovative flavors into our creative, special-flavored plum-based products and to integrate the distinctive flavor of plums into other product categories, thereby enhancing our competitiveness.

- Our product R&D initiatives have established a comprehensive product portfolio of diversified plum-based products crafted with high-quality plums. Leveraging our cutting-edge food production and processing technologies, we aim to further diversify our portfolio by fully exploring the culinary value of plums in other innovative product categories while identifying new consumption scenarios for plum-based products.

Our commitment extends beyond product innovation to establishing our brand as a pioneer in fruit snack industry, aspiring to introduce natural and health-conscious snacking options fitting for the shifting consumer preferences in China. Our robust R&D capabilities are pivotal in enabling us to develop innovative products crafted with high-quality raw materials, further enhancing our market presence and reinforcing our industry leadership.

**Enhance our brand recognition and solidify market leadership.**

We plan to implement the following strategies to enhance our brand recognition and strengthen customer loyalty:

- We aim to continue to implement effective marketing strategies tailored to various consumption scenarios of plum-based products. Additionally, we plan to develop creative packages designed to resonate with different seasonal campaigns and highlight the unique attributes of our products. Furthermore, we will persist our strategic collaborations with popular cross-industry brands and KA customers to launch co-branding and customized products that introduce our brand to a broader range of consumers.

- We also aim to deepen our engagements with customers through diversified online and offline marketing activities, festival campaigns, and KOLs and celebrity endorsements. These diverse marketing approaches will continue to cultivate our brand image that appeals to various consumer demographics. Furthermore, we expect to promote new product categories with great market potential through our effective online marketing strategies.

- Leveraging the rapidly evolving social media and increasingly popular e-commerce and live commerce platforms, we plan to continue to directly engage with consumers, promoting the plum culture and advertising health benefits of plum-based foods. Through our interactive marketing strategies, we intend to collect consumer feedback, adjust product formulas, and enhance customer stickiness and loyalty.

**Expanding our sales network, increasing customer bases and exploring international markets.**

To further penetrate our existing markets and extend our reach to new markets, we are committed to optimizing and expanding our sales and distribution network. Capitalizing on our comprehensive sales and distribution networks, we aim to enhance our market penetration and brand visibility. Looking forward, we aim to further improve our sales channel efficiency and expand into international markets.

- We plan to balance the sales through distributorship and direct sales, reinforcing our partnerships with key account (KA) retail customers, including membership stores and national snack chains. In particular, we intend to continue to collaborate with KA customers to launch customized products and co-branding products that meet evolving consumer preferences and amplify our brand exposure. Additionally, we expect to strategically select product displays at different retail locations to ensure our products' visibility. Furthermore, we intend to establish partnerships with emerging sales channels and broaden our cross-industry collaborations with emerging snack stores, fruit shops, restaurants and tea brands, reaching a wider consumer base and showing our widespread brand influences.

- To effectively reach our target consumers, we intend to invest in developing products in differentiated packaging. Through products of different packaging, we can effectively reach the targeted customer bases of channels. Specifically, we plan to develop customized products for certain distributors in the lower-tier cities, further amplifying our market presence in those cities.

- In addition to domestic market, we aspire to extend our reach in international markets. Our globalization strategy focuses on markets with large Chinese communities or consumer bases having diets similar to those in China. This targeted approach will serve as our gateway into international markets. Additionally, we are dedicated to developing a diverse product portfolio tailored to the specific needs of these international markets, adjusting our product positioning and packaging to align with local cultures and consumer preferences.

**Optimizing our production capacity and supply chain.**

Our business growth depends on the optimization of production capacity and effective supply chain management. A stable and efficient raw material supply chain is essential to our profitability. We intend to improve our operational efficiency by refining production process, upgrading production facilities and production techniques.

- We plan to expand production capacity by constructing new production facilities and enhancing our existing production efficiency. In particular, we intend to continuously invest in advanced production equipment and technology, aiming to elevate the level of automation during the production process.

- We aim to strengthen supply chain management by optimizing intelligent inventory and warehouse management systems, which will improve operational efficiency and reduce inventory costs. In addition, we plan to solidify our collaboration with professional logistics service providers, shortening product delivery times, enhancing service efficiency to end sales points and ensuring swift delivery to the end-use customers.

- We intend to actively identify and secure more high-quality raw material sources to ensure the quality of our plum-based food products. Our ongoing efforts to ensure the stable supply of raw materials, together with our continuous R&D of premium plum varieties, will maintain our competitiveness and solidify our market position. We plan to actively expand our network of high-quality plum suppliers by establishing long-term relationships with plum farmers from major plum sourcing regions in China, ensuring a continuous, stable supply of superior raw materials, while effectively reducing the impact of seasonal fluctuations on production.

## OUR BRAND AND PRODUCTS

Since the launch of our brand in 2001, we have established ourselves as a pioneer in fruit snacks and leader in plum-based products industry. We are also committed to introducing innovative natural snacks that incorporates plum elements, catering to health-conscious consumers. According to Frost & Sullivan, in 2024, we ranked first in China's fruit snacks industry in terms of retail sales value, representing a market share of 4.9%. Additionally, according to the same source, in 2024, we ranked first in China's plum-based products industry in terms of retail sales value, representing a market share of 7.0%. Our competitive advantage stems from our vertically integrated R&D system, advanced food processing equipment and technologies and deep market insights, thereby empowering the entire value chain that encompasses procurement, storage, production, and distribution operations. We are committed to providing consumers with a diversified portfolio of delightful plum-based products, letting a wide range of consumers savor the taste of plums. Through our "Plum + " product development strategy, we deliver diversified innovative products that have made us the flagship enterprise of fruit snacks and plum-based products.

Our product portfolio is rooted in the rich cultural heritage of plum-based foods while featuring our signature sour flavor. We offer three major product categories, namely, our dried plum snacks, prune-based products and plum jelly. For each category, we have launched different series encompassing both products crafted with traditional methods and products of innovative flavors, continuously providing consumers with distinctive taste experience to satisfy their evolving preferences. We have further launched other plum-based products with significant market potential, such as Dameida plum gummy and plum tea concentrate. With our robust R&D capabilities and deep market insights, we aim to fully explore the culinary value of plums. Looking forward, we plan to launch our plum-based ready-to-drink beverages and condiment products, further unlocking the market potential of plum-based products.

The following table sets forth certain key information of our main products by product category.

| Product Category | Product Description | Types of products | Shelf Life | Suggested Retail Price per Individual Package *(Minimum sales unit)* | Net Weight per Individual Package |
|---|---|---|---|---|---|
| | | | | *(RMB per unit)* | |
| Dried plum snacks | Green plums, Chinese plums (李梅), bayberries (楊梅) | 37 | 12–18 months | 4.9–11.8 | 60g–160g |
| Prune-based products | Prunes | 4 | 12 months | 4.9–19.9 | 60g–200g |
| Plum jelly | Jellies in various flavors | 30 | 9 months | 4.9–19.9 | 120g–400g |
| Others | Gummy, plum tea concentrate, plum-based seasoning products and other fruit-based products | 13 | / | / | / |

The following table sets forth the breakdown of the sales volume and average selling price per kg of our major product categories for the periods indicated:

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | | 2022 | 2023 | 2024 |
| Dried plum snacks | kilotons | 20.5 | 21.7 | 27.6 |
| | RMB/kg | 39.4 | 38.7 | 35.2 |
| Prune-based products | kilotons | 3.2 | 4.1 | 5.6 |
| | RMB/kg | 38.1 | 38.1 | 39.6 |
| Plum jelly | kilotons | 8.5 | 12.1 | 22.0 |
| | RMB/kg | 27.2 | 25.8 | 18.6 |

*Note:* the average selling price per kg is estimated through dividing the revenue of each product category by the sales volume.

During the Track Record Period, the sales volume of each of our major product category increased steadily, demonstrating our strong business growth and consumer market recognition. We proactively offered more competitive prices of dried plum snacks to enhance our market penetration in the broader snack industry. For example, we introduced various packaging sizes and combinations tailored to the targeted consumers' preferences, including family-sized packages and variety packs which typically have lower per-unit prices. Additionally, in 2024, we offer customized products with lower per-unit prices for distributors targeting the lower-tier cities, expanding our market presence. We expanded our production capacity for plum jelly during the Track Record Period and successfully optimized the cost structure by reducing outsourced processing costs, allowing us to implement more competitive pricing strategies to appeal to a broader range of consumers. The average selling price of our prune-based products remained relatively stable, maintaining its premium positioning.

The following table sets forth the breakdown of our revenue by product category for the periods indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(RMB in thousands, except for percentages)* | | | | | |
| Dried plum snacks | 808,414 | 68.9 | 838,110 | 63.4 | 973,531 | 60.3 |
| Prune-based products | 121,838 | 10.4 | 155,985 | 11.8 | 223,561 | 13.8 |
| Plum jelly | 230,295 | 19.6 | 311,069 | 23.5 | 410,358 | 25.4 |
| Others(1) | 13,499 | 1.1 | 16,878 | 1.3 | 8,568 | 0.5 |
| **Total** | **1,174,046** | **100.0** | **1,322,042** | **100.0** | **1,616,018** | **100.0** |

*Note:*

(1) Others mainly represent plum-based seasoning products, plum tea concentrate and other fruit-based products.

## Dried Plum Snacks

The decades-long journey of our brand started with dried plum snacks that are primarily crafted with green plums. We offer a range of dried plum snacks, featuring three series: classic products, special-flavored products and customized products. Through our continuous development and innovations, our brand has become synonymous with dried plum snacks in China. We ranked first for four consecutive years in green-plum fruit snacks industry from 2021 to 2024, in terms of retail sales value according to Frost & Sullivan.

### *Classic Products*

Our classic products are flagship dried plum snacks that are most familiar and widely accepted by customers, enjoying widespread and enduring popularity. Leveraging our integrated supply chain and advanced food processing technologies, we craft our classic products by using the superior plums, while preserving the authentic taste and texture of dried plum snacks made with traditional methods. We procure plums from all major plum sourcing regions in China, following a same-day processing workflow to preserve the plums' original flavor and nutrition.

We combine traditional craftsmanship with modern fine-tuning to create unique flavor experiences fitting for diversified consumption scenarios. Through in-depth market research, we continuously optimize and upgrade our core products to constantly enhance product competitiveness. We primarily offer the following classic products:

- *Snow Plum*: Our Snow Plum product has received widespread popularity among customers. We continuously upgrade our Snow Plum product by incorporating natural herbal extracts, including mint, monk fruit and honeysuckle into its classic formula, offering a cooling and refreshing taste. This unique blend of tastes provides effective relief for throat discomfort, making the Snow Plum a favorable snack for customers when they experience such discomfort.

- *Refreshing Plum*: We source fully ripened plums from the mountainous regions of Fujian and Guangdong, complemented with natural honey. Utilizing traditional Taiwanese manufacturing techniques, our Refreshing Plum product is rich in dietary fiber, featuring a succulent texture and refreshing taste.

- *Preserved Plum*: Preserved plum is a traditional Chinese snack with a generational popularity. We carefully select thick, succulent and high-quality green plums and craft our Preserved Plum product by using time-honored techniques. Our production process ensures a deep, layered flavor that harmonizes sweet and sour tastes. To capture the modern consumption pattern, we continue to innovate and launch herbal-flavored Preserved Plum products and zero-sucrose Preserved Plum products. The well-balanced sweet and sour flavor of our Preserved Plum product stimulates appetites, making it an ideal appetizer for daily consumption.

- *Smoked Plum*: Our Smoked Plum product, made from selected green plums ripened in May. Distinguishing itself from other similar smoked plum products on the market, our Smoked Plum product features soft and smooth texture. In addition, we combine traditional production techniques with select natural ingredients, including aged citrus peel, licorice and hibiscus flowers, to create a revitalizing, smoky flavor that makes it a perfect companion with beverages and appeals to modern palates.


Snow Plum


Refreshing Plum


Preserved Plum


Smoked Plum

***Special-flavored Products***

Our commitment to innovation is at the core of our development strategy and differentiates us from other competitors, strengthening our market position. Coupled with our robust R&D capabilities and deep market insights, we continuously launch innovative special-flavored dried plum snacks in terms of texture and flavor profiles to adapt to the constantly evolving market demands. See "— Research and Development — Product R&D."

We have cultivated a diversified dried plum snacks portfolio tailored to customers' evolving texture preferences. For instance, our Crispy Green Plum (脆青梅) was developed in response to consumer demand for dried plum snacks with crispy texture and refreshing taste, delivering a vibrant tasting experience marked by freshness, crunch and juiciness. We drew inspiration for our Crispy Green Plum from the plum varieties sourced from Southern Anhui, Jiangsu and Zhejiang regions, which naturally contain lower tannin levels, offering a uniquely crispy texture with minimal astringency. Meanwhile, our Plum Cakes (梅餅) cater to consumers seeking delicate and soft plum products by faithfully blending time-honored preservation methods with modern manufacturing techniques to achieve a balanced aromatic profile that has garnered significant consumer appreciation. Additionally, we have introduced our Plum Slice ("梅片"), a functional snack crafted for consumers seeking invigorating flavors. By incorporating menthol complex or perilla essence into plum slices, this product delivers a stimulating taste and energizing experience. By aligning texture innovation with sensory appeal, our innovative dried plum snacks not only broaden market reach but also validate our robust R&D and commercialization capabilities in launching palate-driven offerings that resonate with the market trend.

In addition, we creatively blend the plum's inherent flavor with other flavors to form complex flavors, which has become increasingly popular among customers. For example, our Green Tea Plum (綠茶青梅) perfectly combines the fresh aroma of green tea with plum flavors for a refreshing taste. Additionally, inspired by the unique taste profiles in certain regions, we introduce dried plum snacks featuring regional-specific flavors, such as pineapple-flavored and sour-spicy plums, creatively combining regional-exclusive flavors like pineapple from Taiwan, yellow peach from Shanghai, Mango from Hainan and sour-spicy elements from Guizhou with the original plum flavor. These innovative combinations resonate with regional taste profiles, transforming the perception of dried plums as merely traditional snacks and appealing to a younger demographic seeking exciting and novel flavors. Our representative special-flavored dried plum snacks are set forth as below:


Crispy Green Plum


Plum Cakes


Pineapple Plum ("**Bobomei**")


Sour-spicy Plum ("**Zaozaomei**")

***Customized Products***

We offer customized dried plum snacks tailored to the specific needs of our KA customers, including chain snack stores and membership stores. These customized products allow us to access each KA customers' target consumer base, providing unique offerings to a broader range of consumers who may not yet be familiar with our brand or plum-based products. In addition, given that KA customers are critical in our sales network, establishing these partnerships positions us for continued success as we expand our reach and introduce our brand to new customers. In particular, our newly launched high-end product "Premium Plum" (皇梅) has quickly captured the attention of consumers with its unparalleled quality and craftsmanship. Exclusively available at a high-end membership store, it ranked first on this membership store's New Product Hot List within eight days after its launch, showcasing its immense popularity and market appeal. Processed with traditional decoction methods and crafted with the finest plum variety that features large size, rich aroma, sweet and tender flesh, and contain various types of organic acids, our Premium Plum ensures an authentic and exquisite flavor, making it a truly premium and wholesome indulgence that preserves the natural flavor and nutrients of plums.

Premium Plum

**Prune-based Products**

We introduced prunes to our portfolio in 2016, enabling us to explore new market opportunities. The launch of prune-based products demonstrates our commitment to expanding our market reach to health-conscious consumers. Prunes are rich in dietary fiber, natural antioxidants, as well as essential vitamins and minerals, including high levels of anthocyanins — twice that of cherries and three times that of apples. Additionally, prunes have been scientifically proven to support digestive health and enhance metabolic functions, thereby enjoying widespread popularity among urban middle-class, white-collar professionals and the discerning Generation Z consumers who appreciate the health benefits of snacks and have growing demand for natural food alternatives.

Our products are crafted with prunes meticulously selected from regions with optimal growing conditions, including abundant sunshine and significant temperature variations between day and night, resulting in plump, tender fruits with superior taste. Leveraging our brand recognition and market insights, we have forged strong partnerships with premium prune farms in renowned regions including Chile, France and the U.S. These partnerships enable us to source high-quality prunes with rich flavor and exceptional nutritional profile.

We have developed three core series of prune-based products tailored to different consumer preferences. For consumers seeking diversified snack options, we introduce classic dried prune product that uses premium prunes with rich flavor and fine-textured flesh. On the other hand, we launch the "Fiber Life" pitted prune product to cater to the health-conscious consumers calling for convenient, natural snacking options. Crafted by precision de-pitting techniques and natural constant-temperature drying technology, our "Fiber Life" pitted prune product offers a convenient, ready-to-eat alternative to our classic dried prune product, while preserving the natural content of high-quality, large-sized prunes. Additionally, to bring our prune-based products into daily wellness routines, we develop "Fiber Life" daily-portion pack containing five to six prunes, following the scientific guidelines for daily fiber intakes and satisfying an individual's nutritional needs.

Our prune-based products have rapidly captured market share. According to Frost & Sullivan, we ranked first in prune-based fruit snacks industry for four consecutive years in terms of retails sales value from 2021 to 2024.

Dried Prune Product

The "Fiber Life" Pitted Prune Product

The "Fiber Life" Daily Portion Pack

**Plum Jelly (梅凍)**

According to Frost & Sullivan, the China's jelly market is evolving toward innovations of natural and functional products. Following our "Plum +" product development strategy, we launched the plum jelly products in 2019. Unlike traditional jelly products frequently perceived as additive-heavy snacks, our plum jelly, made with locust bean gum, natural green plum nectar and other natural fruit nectars, is positioned as a low-calorie, natural and convenient jelly option that caters to the market trend of healthier jelly products. Additionally, deploying Orihiro's advanced food processing equipment and technologies, we extend our plum jelly's shelf life to nine months without adding preservatives. Our plum jelly products quickly captured consumer mindshare and became a major player in the jelly market. During the Track Record Period, we generated revenue of RMB230.3 million, RMB311.1 million and RMB410.4 million from the sales of plum jelly products in 2022, 2023 and 2024, respectively, demonstrating the growing market acceptance of our plum jelly products. According to Frost & Sullivan, in 2024, we were one of the leading player in China's jelly market in terms of retail sales value, capturing a market share of 2.9%. Additionally, according to Frost & Sullivan, we ranked first the natural jelly industry in terms of retail sales value, representing a market share of 45.7% in 2024. By addressing several pain points of traditional jelly products, we successfully extended our success of our dried plum snacks into the jelly market.

Our plum jelly offerings include classic products, seasonal-themed products and Electrolyte-infused slushy jelly.

### *Classic Products*

We have introduced two series of classic plum jelly products that enjoy widespread popularity.

- *Natural fruit-flavored plum jelly*: Our natural fruit-flavored plum jelly products deliver harmonious and authentic fruit flavors. By blending natural fruit nectars with the delicate tartness of green plums, these products distinctively combine the refreshing sweetness from selected fruits and the subtle acidity of green plums to create a balanced and invigorating taste profile. For example, our white peach plum jelly contains more than 40% of white peach nectar content, carefully extracted from two premium peach varieties, imparting a refined aroma reminiscent of freshly picked peaches.

- *Lactic acid bacteria (LAB) plum jelly*: Our LAB plum jelly products contain a LAB concentrate composed of six distinct bacterial strains. Through our specialized fermentation process, the LAB concentrate retains its beneficial properties when incorporated into the plum jelly, enabling the product to promote gut health and enhance digestion. By infusing natural fruit nectars into the LAB plum jelly, we have developed various fruit-flavored LAB plum jelly products that have gained market acceptance.

Green Plum Jelly

White Peach Plum Jelly

Blueberry LAB Plum Jelly

Strawberry LAB Plum Jelly

### *Seasonal-themed Products*

Inspired by market trends and seasonal elements, we periodically introduce innovative seasonal-themed plum jelly products integrating seasonal ingredients that reflect distinctive characteristics of certain seasons. As part of our festival marketing strategy, we actively promote these seasonal-themed plum jelly products during seasonal events, further emphasizing their seasonal features.

In the spring of 2024, we launched our snow pear loquat plum jelly that combines the sweet taste and crisp texture of snow pears with the moisturizing and throat-soothing properties of loquat, offering a refreshing taste particularly suitable for springtime consumption. In the meantime, our orange grapefruit plum jelly, blending the natural sweetness of oranges with the mild, invigorating acidity of grapefruit, is rich in Vitamin C and essential minerals, thereby addressing the nutritional and health-conscious needs of young consumers. These spring-themed plum jelly products were thoughtfully designed for contemporary young people who prioritize a healthy and balanced lifestyle.

Similarly, in the summer of 2024, we launched two summer-themed plum jelly products: lychee sea salt lime plum jelly, creatively combining lychee, sea salt with lime and plum nectar; and pineapple wampee lemon plum jelly blending pineapple, lemon, wampee and plum nectar. These summer-themed plum jelly products provide a refreshing and cooling taste perfectly suited for summertime. The launch of our summer-themed plum jelly featuring our brand ambassador, Teens in Times, quickly attracted over a hundred million views online, effectively conveying the core values of our natural plum jelly products to our customers.

Furthermore, we introduced festival-themed plum jelly products in alignment with our festival marketing campaign. For instance, in anticipation of the 2025 Chinese New Year celebrations, we adopted a vibrant red and gold color scheme for our packaging to symbolize prosperity, good fortune and wealth, closely aligning with traditional Chinese New Year theme. Our festival-themed offerings include the red plum, red grape and red cherry plum jelly products, which incorporates sweet red plum, juicy red grape and luscious red cherries, designed to represent auspiciousness and good fortune for the New Year. Additionally, our golden osmanthus, golden pomelo and kumquat plum jelly harmonizes the refreshing, fragrant notes of golden osmanthus blossoms with the sweet citrus aroma of golden pomelo and the vibrant tartness of kumquat juice, resonating with consumers' aspirations for a prosperous and fortunate New Year.


Spring-themed Plum Jelly


Summer-themed Plum Jelly


CNY-themed Plum Jelly

### *Electrolyte-infused Slushy Jelly*

In 2025, we introduced our electrolyte-infused slushy jelly, yet another testament to our robust product R&D capabilities. The electrolyte-infused slushy jelly incorporates carefully selected fruit nectar to provide the authentic, rich fruit flavor.

Unlike traditional frozen products, our electrolyte-infused slushy jelly can be easily stored at room temperature. After being placed into the freezer, it can soon transform into a smooth, slushy texture, offering a refreshing new taste and an innovative frozen-snack experience. Added with electrolytes, this product serves not only as an ideal option for a quick energy boost after workout, but also as a convenient way to replenish energy during everyday leisure moments. The electrolyte-infused slushy jelly is the perfect go-to treat when summer strikes. This exciting offering precisely caters to consumers' needs for healthy, tasty and convenient functional snacks, bringing plum jelly into new consumption scenarios.


### Other Products

Besides our dried plum snacks, prune-based products and plum jelly, we have expanded our product portfolio to include creative offerings, such as plum gummy and plum tea concentrate, reinforcing our market leadership. Committed to continuously innovate and fully explore the untapped potential of plum flavors, we plan to expand into various plum-based product categories, including confectionery, tea concentrate, ready-to-drink beverages and condiments, integrating plum-based products into consumers' everyday lives.

The growing consumer interest in natural-flavored snacks, combined with the enduring popularity of confectionery and tea, presents a promising market opportunity for the innovative gummy and tea concentrate products. In response to this trend, we launched our plum gummy "Dameida" (打梅打) 2025 and our plum tea concentrate products in 2024. Using a preservative-free and colorant-free formula while using advanced food processing technology, we ensure exceptional product quality of our plum gummy and tea concentrate that exemplify our commitment to delivering innovative plum-based products with authentic flavor and health benefits. Made with plum extract that offers various health benefits and Madeira tea extract that provides invigorating effects, "Dameida" plum gummy provides refreshing and harmonious sweet-sour tastes, targeting consumers who need fruit-based and functional snack options. In addition, we offer two tea concentrate options, namely the smoked plum ginger tea concentrate made from Yunnan small yellow ginger, donkey-hide gelatin, brown sugar and smoked plum extract, and the green plum snow pear tea concentrate made from pear syrup, green plum juice, loquat juice and smoked plum extract, providing a warming, soothing drink in just 30 seconds.


Plum-flavored "Dameida" Plum Gummy


Mango-flavored "Dameida" Plum Gummy


Smoked Plum Ginger Tea Concentrate


Green Plum Snow Pear Tea Concentrate

## OUR SALES CHANNELS

### Overview

Our management and development of sales channels are vital to our business operation and future growth, as our diversified sales network enables us to effectively penetrate regional markets and reach consumers with varying purchasing behaviors. Our sales strategy integrates distributorship and direct sales. Our direct sales efforts include (i) our sales through our online self-operated stores and (ii) sales to retailers, primarily consisting of snack stores, supermarkets, online retailers and convenience stores. Capitalizing on our omni-channel sales network that engages consumers through various touchpoints, we have successfully established a strong presence on both offline and online platforms, amplifying our market presence.

The table below sets forth a breakdown of our revenue generated from direct sales and sales through distributors for the periods indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | *(RMB in thousands, except for percentages)* | | | | | |
| **Direct sales** | **299,674** | **25.5** | **440,328** | **33.3** | **956,953** | **59.2** |
| Online self-operated stores | 148,107 | 12.6 | 135,582 | 10.3 | 139,226 | 8.6 |
| Retailers | 151,567 | 12.9 | 304,746 | 23.0 | 817,727 | 50.6 |
| **Distributorship** | **874,372** | **74.5** | **881,714** | **66.7** | **659,065** | **40.8** |
| **Total** | **1,174,046** | **100.0** | **1,322,042** | **100.0** | **1,616,018** | **100.0** |

**Direct Sales**

Our direct sales channels mainly include our online self-operated stores and retailers. We adeptly capitalize on the expansive reach of online platforms by selling our products directly to consumers through our self-operated stores on leading e-commerce platforms and live commerce platforms. Consumers typically place their orders directly through the links provided in our online stores, and we are responsible for logistics, fulfillment and after-sales services of the orders. In the meantime, we directly sell our products to leading online retail supermarkets, as well as community group buying platforms, further optimizing our online direct sales network. We also directly sell to offline retailers, encompassing snack stores, supermarkets, chain convenience stores and membership stores.

During the Track Record Period, revenue from direct sales increased by 46.9% from RMB299.7 million in 2022 to RMB440.3 million in 2023, and further increased by 117.4% to RMB957.0 million in 2024, as we continue to advance sales through our direct sales channels, closely following consumer purchasing habits and trends.

To further amplify our market presence, we strategically sell customized products to certain retail channels, including chain snack stores, national and regional supermarkets, well-known online retailers, and chain convenience stores. These customers possess extensive consumer bases and robust purchasing power, enabling us to strengthen our presence across multiple channels while ensuring our products are prominently displayed in their well-established retail networks. For select retailers, we provide tailored products that closely align with their brand positioning and consumers expectations, thereby strengthening our collaborations and expanding our market presence. For instance, we developed a customized Premium Plum exclusively for a membership store, which resonated strongly with this membership store's mid- to high-income consumer bases, who are willing to pay premium prices for high-quality offerings, broadening our market reach into the premium retail segment. Additionally, to effectively reach certain retail channels consumer bases, we have developed differentiated packaging tailored to their consumers consumption behaviors. In particular, we offer variety package, family-sized package and small package for snack stores, targeting their consumers who prefer to purchase various flavors and products at once.

During the Track Record Period, the salient terms of our agreements with retailers typically include:

- *Terms*. We typically enter into one-year agreement with retailers, subject to renewal upon mutual consent by the parties.
- *Payment and Credit Terms*: We issue invoices to our retailers following the shipment of relevant products, and our retailers are required to pay within the specified time upon receipt of invoices.
- *Delivery*. Generally, we are responsible for delivering the products to the location designated by our retailers at the specified time.
- *Pricing*. We sell our products to retailers at mutually agreed price levels and provide them with recommended retail prices.
- *Minimum Purchase Requirements*. We may set minimum purchase requirements for our retailers.
- *Product Promotions*. For certain retailers, such as national supermarkets, we are permitted to conduct marketing activities on their sites.
- *Product Returns*. We may accept return of defective products or products that are not delivered under the agreed conditions.
- *Anti-Bribery and Corruption*. We agree to comply with any laws, regulations or internal policies relating to anti-bribery and anti-kickbacks in selling our products to retailers.

**Distributorship**

Our comprehensive distribution network enables us to penetrate regional markets where we have limited familiarity, allowing us to effectively expand into new and broader markets. We collaborate with a wide array of well-resourced distributors. By harnessing the complementary strengths of these distributor types, we have cultivated a highly adaptive distribution network, which not only amplifies our market reach but also enhances operational efficiency by aligning our resources with the unique demands of different segments. Wholesale distributors, with their deeply entrenched networks in high-demand markets, enable us to seamlessly connect with core consumer bases and swiftly address concentrated demand. Online distributors, leveraging their advanced digital infrastructure and robust logistical capabilities, facilitate streamlined bulk transactions and foster efficient engagement with business customers.

As of December 31, 2024, we engaged a total of 1,396 distributors. During the Track Record Period, our revenue generated from distributors amounted to RMB874.4 million, RMB881.7 million and RMB659.1 million in 2022, 2023 and 2024, respectively. As we have established a prominent presence in tier-1 and tier-2 cities through our successful sales and marketing strategies, we are expanding our market presence in lower-tier cities through our distribution network, thereby broadening our market coverage and tapping into new customer bases. We offer customized products that feature affordability and price-to-value to certain distributors, targeting lower-tiered cities through our market campaign to make our high-quality plum products accessible to everyone.

We determine the number and allocation of distributors by considering the income level of the target consumer bases, market potential and distribution coverage, establishing an efficient and reasonable distribution network. Our distribution strategy seamlessly integrates various channels to optimize our market coverage and adapt dynamically to shifting market conditions. Additionally, we rely on distributors operating on certain e-commerce platforms. Our online distributors play a pivotal role in promoting our products in these platforms that may otherwise remain untapped.

***Management of Distributors***

We aim at partnering with distributors specialized in the snack industry to ensure the effective distribution of our products by establishing rigorous criteria in selecting distributors. To ensure our brand reputation and efficiency of distributorship, we implement a strict screening and evaluation mechanism to assess our distributors' performance, emphasizing on both their sales capabilities and marketing efforts. We conduct on-site visits to gather feedback from local points of sale regarding the distributors' performance in their respective regions, while also reviewing the quality of distributors' product display. This assessment process allows us to further gauge distributors' reputation and network reach within their geographic regions. Additionally, we evaluate distributors' key operational capabilities, including their warehousing facilities, logistical vehicles, personnel management and financial stability, thereby ensuring that they meet our high standards. Distributors place orders based on their demand, and we ship products to them within a week of receiving the payment, ensuring the efficiency of our distribution.

We evaluate our distributors' performance by regularly monitoring their inventory level to measure their sales performance and assess if they may achieve the minimum purchase amount. Besides their sales performance, we also evaluate their involvement in advancing and executing our marketing goals, ensuring alignment with our broader brand objectives. To incentivize our distributors, we offer sales discounts for our distributors with outstanding annual sales performance and set different tiers for distributors based on their sales performance. For those distributors who are unable to achieve our minimum purchase amount targets, we may decide to terminate their distributorship.

Our distributors may engage sub-distributors, and we did not enter into any agreements or otherwise directly establish relationships with any sub-distributor during the Track Record Period. As a result, we do not have control over sub-distributors. This arrangement enhances operational efficiency by delegating key localized responsibilities such as inventory management, last-mile delivery and order fulfillment, allowing distributors to prioritize overarching operational goals and strategic management. Under our distributorship agreements, distributors are expected to monitor the operations of their sub-distributors, including their inventory levels, sales performance and market activities, to ensure alignment with our overall sales and distribution strategy. We impose penalties on distributors for any violations and misconduct by their sub-distributors, encouraging them to actively oversee their sub-distributors. According to Frost & Sullivan, it is a common industry practice for companies in the industry in which we operate to rely on third-party distributors to sell their products to sub-distributors and retailers without entering into contractual relationships with such sub-distributors and retailers.

We believe that our sales correspond to actual consumer demand and therefore our products are at low risk of channel stuffing in our distribution network, because (i) we generally do not accept product returns from distributors except for returns caused by product quality issues, ensuring that distributors place orders based on realistic sales forecasts rather than speculative or inflated volumes; (ii) the relatively short shelf life of our products further discourages overstocking, as distributors bear full responsibility for the costs of disposing of expired products, incentivizing them to maintain prudent inventory levels that align with market demand; (iii) we deliver products to distributors only after they make full payments for their orders, which promotes their disciplined inventory management aligned with actual sales projections; (iv) we require distributors to submit weekly inventory reports, and our sales team regularly conducts on-site visits to evaluate inventory levels and sales performance. These measures collectively ensure that our distribution network remains efficient, demand-driven, and reduce the risk of channel stuffing, supporting both the operational stability of our distributors and the sustainable growth of our business.

***Arrangements with Distributors***

We typically enter into standard distribution agreements, which are sales and purchase agreements in nature, with our distributors. Under these agreements, we deliver our products to distributors after they place orders and recognize revenue when they accept our products upon delivery.

During the Track Record Period, the salient terms of our standard distribution agreements include:

- *Terms*. We typically enter into one-year agreements with distributors, subject to renewal upon mutual consent of the parties.

- *Minimum Purchase Amount*. To incentivize our distributors, we typically set overall minimum purchase amount for distributors during the terms of distributorships, considering their designated regions and sales capabilities. We further specify their monthly targets for different product categories to align with our overall sales and marketing strategies.

- *Pricing*. Our distributors must set their retail prices in accordance with our suggested prices.

- *Payment and Delivery*. We require our distributors to make payment before the delivery of products, and we will deliver to the location designated by distributors.

- *Inventory*. Our distributors are required to keep our products in suitable warehousing conditions.

- *Product Return*. We generally do not allow product returns. We reserve the rights to reject any product returns except those caused by the defective products upon inspection.

- *Marketing and Promotions*. Our distributors should assist our marketing plans and promptly report market information to us. They are also obligated to protect our intellectual properties, reputation and brand images.

- *Termination*. We have the right to terminate the distribution contracts if our distributors breach specified contractual terms. In particular, we are typically allowed to terminate contracts with distributors who fail to purchase products for several consecutive months or violate their sales obligations under contracts.

- *Penalties for Cannibalization*. We expressly prohibit distributors from selling products outside of their designated channels and geographical regions. In addition, we send sales teams to regularly monitor any cannibalization. We impose fines or terminate distributorships for distributors who sell products outside of their designated channels and regions.

- *Anti-Bribery and Anti-Corruption*. Our distributors are committed to the transparent and fair business practices, agreeing to comply with any anti-bribery, anti-corruption and anti-kickbacks laws and regulations.

We formulate and implement policies to prevent existing employees from working for or owning equity in any of our distributors. In addition, our internal control policy ensures equal treatment of our distributors, providing consistent pricing and incentive mechanisms to distributors across regions. To the best of our knowledge, during the Track Record Period, all of our distributors were Independent Third Parties. During the Track Record Period, there was no employment, financing or family relationship between our distributors and us or our subsidiaries, our shareholders, directors or senior management, or any of their respective associates.

***Movements of Distributors***

During the Track Record Period, we actively optimized distribution network to align seamlessly with our business development. The table below sets forth the total number of our distributors during and their movements for the periods indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| Number at the beginning of the period | 1,035 | 1,200 | 1,398 |
| Number of distributors newly engaged | 330 | 336 | 281 |
| Number of distributors terminated | 165 | 138 | 283 |
| Net increase (or decrease) in the number of distributors | 165 | 198 | (2) |
| **Number at the end of the period** | 1,200 | 1,398 | 1,396 |

During Track Record Period, we terminated 586 distributors. We terminated distributors because we changed our sales strategy to increase the direct sales to retailers, while replacing underperforming distributors with new distributors to further penetrate into new markets. During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with terminated distributors.

**Coordination between Sales Channels**

To balance different sales channels and ensure our distribution efficiency, we adopt the following measures to mitigate cannibalization risks among the distributors and other sales channels:

- *Differentiated Products*. We strategically sell products with different packaging across various sales channels. We may customize products with different packaging specifications for our membership store or snack store customers. For example, we developed differentiated packages tailored to target consumers of different channels. We strictly prohibit distributors from selling any other similar products without our authorization. In addition, we designate product categories and specify sales targets by each category for distributors.

- *Pricing*. We implement a pricing policy setting the minimum retail price for our products and require both our distributors and their sub-distributors to strictly adhere to this policy by not setting their prices below the established minimum. If any distributors or their sub-distributors violate our pricing strategy, we may temporarily suspend product deliveries to non-compliant distributors, impose penalties, or even terminate their distributorships, until they complete necessary rectifying measures and ensure future compliance with our pricing policies.

- *Monitoring*. Our sales team monitors the pricing of our products across various sales channels to ensure compliance with our pricing policies and maintain the stability of our distribution network. This team conducts regular reviews of price levels at both distributor and retail endpoints, identifying any deviations from our suggested retail price. In cases where pricing violations or cross-regional sales are detected, the team promptly reports such incidents.

- *Geographical and Channel Restrictions*. We specifically require our distributors to restrict their sales to the designated regions and channels authorized by us.

- *Penalties for Violations*. We have implemented a three-strikes penalty system to discourage distributors from selling products outside their designated channels. For the first two violations, we will either impose fines or increase the sales price, and upon the third violation, we will terminate the distributorship.

- *Product Tracing System*. We have employed a comprehensive product tracing system in which every product is assigned a unique label, enabling us to trace the product back to the distributor who places it in the market. Additionally, for products sold through our direct sales channels, we can track their origin to ensure full oversight. By enabling us to trace the selling origin of all products, this system is crucial to our effective management and monitoring of the omni-channel sales network, ensuring accountability and streamlining our distribution processes.

**Pricing**

Our retail sales prices are set according to various factors, such as brand positioning, marketing strategy, market condition and production costs. To complement our core product offerings, we introduce price-to-value products during promotional activities, strategically designed to enhance consumer accessibility and engagement.

In managing our distribution network, we implement stringent pricing policies to prevent channel cannibalization and maintain market order. Our pricing typically leaves sufficient profit margins for our distributors. We enforce compliance with these policies by requiring adherence to minimum pricing standards, supported by robust monitoring mechanisms and clear consequences for violations. See "— Coordination between Sales Channels." This disciplined pricing system ensures consistency across channels, protects the interests of compliant distributors and safeguards the integrity of our sales ecosystem.

## MARKETING AND PROMOTION

We place great emphasis on brand-building and adopt flexible and diversified marketing strategies to access our consumer base. During the Track Record Period, our selling and distribution expenses amounted to RMB282.7 million, RMB309.4 million and RMB310.2 million in 2022, 2023 and 2024, respectively, representing 24.1%, 23.4% and 19.2% of our total revenue in each respective period.

Our marketing strategy is key to our brand development, combining innovative marketing vehicles and advertising campaigns that capture consumer attention to establish brand identity. Central to our strategy is to cultivate consumer mindshare, advocating for various consumption scenarios of plum-based food and encouraging consumers to incorporate our products into their daily diets.

Furthermore, positioning our brand as the ambassador of plum culture, we adopt the culture-driven marketing strategy that educates consumers about the rich history and health benefits of plum-based food. Our multi-faceted marketing style provides an immersive experience to consumers, creating emotional connections with our customers, while enriching the cultural narratives of our brand.

To effectively design and implement our marketing strategies, distinct departments collaborate seamlessly, each assuming specialized roles to ensure optimal results. Our marketing team conducts comprehensive market research and develops overarching strategies and detailed plans that align with our brand identity and market objectives. Guided by these strategies, the sales team determines product positioning, plans product launches and coordinates with sales channels to execute marketing initiatives while setting sales and marketing targets for distributors to encourage alignment with our broader goals.

**Product Marketing**

Our product marketing strategy is tailored to the distinct features of our products. By harmonizing brand positioning and our marketing materials, we effectively highlight the unique attributes of our products and resonate with their respective target consumer groups.

For our classic products that enjoy widespread market acceptance, we emphasize on assigning unique identities of each product by highlighting its distinctive features and functionalities, while advocating diversified consumption scenarios and driving consumption. For instance, Snow Plum is marketed for its soothing effects on throat discomfort and Smoked Plum is marketed for its appetite-stimulating properties, and prune-based product for its digestive benefits. To further enhance consumer recognition, we meticulously design packaging for each product that encapsulate its core attributes, strengthening the product's association with the product's specific benefits and reinforcing its enduring appeal. Similarly, our plum jelly's packaging highlights the use of fruit nectar and natural green plum nectar, featuring illustrations of fruits. Through this marketing strategy, we effectively convey the message that our plum jelly is a natural fruit-based snacking option for health-conscious consumers.

Following this strategy, we initiate creative and memorable campaigns centered on the unique attributes of each special flavor, utilizing impactful slogans and visual cues to create compelling consumption scenarios. For example, our market campaign for our pineapple-flavored plum highlights the origin of the pineapple used for the product while adopting the invigorating packaging and regional-special slogan, seamlessly integrating this narrative into the product's promotional materials. By leveraging evocative storytelling and targeted messaging, we successfully capture the attention of a younger, more adventurous consumer base, further strengthening our brand's resonance across multiple demographics.


Product marketing for our pineapple-flavored plum

We position plum jelly as a versatile and innovative product that transcends the seasonal limitations often associated with traditional jelly products. In particular, through packaging and slogans resonating with the holiday spirit, our Chinese New Year campaign for plum jelly makes it a New Year treat. By associating different flavors of plum jelly with diversified specific lifestyles or occasions, we redefine plum jelly as a year-round staple that addresses the seasonality limitations of traditional jelly products.

**Product Customization**

***Customization for KA Customers***

Through providing customized products to KA customers and targeted marketing of these products, we reach to diversified consumer bases. For our customized products to membership stores, we strategically position them as premium offerings tailored to meet the preferences of high-end consumer segments. This strategy is exemplified by our exclusive partnership with a membership store, for which we developed Premium Plum as a bespoke product. To align with this membership store's high-end consumers, our marketing efforts for Premium Plum emphasize its premium quality through carefully curated imagery, slogans and packaging that underscore its premium positioning.


Premium Plum campaign

### *Customization for Channels*

Understanding that different channels cater to unique consumer bases with distinct purchasing habits, we tailor our product offerings accordingly to capture these varying consumption patterns. In particular, to expand our reach in lower-tier cities, we provide customized products to certain distributors, advocating in our campaign to make our high-quality plum-based products accessible to everyone. These products emphasize both affordability and price-to-value, targeting students and consumers who want to keep their snack budgets modest without compromising on quality.


Make our High-quality Products Accessible to Everyone campaign

### *Co-branding*

Moreover, we collaborate with major food and beverage brands by developing co-branded plum-flavored products. We typically sell our plum-based ingredients directly to our corporate customers and integrating our products with their offerings, synergizing our expertise with their popular product lines. This collaboration enables us to fully explore the potential of plum flavor, further solidifying our position as a leader in plum-based food and expert of sour flavor. Through co-branded products like plum-flavored milk tea and plum-flavored cakes, we introduce our brand to a broader customer base, enhancing our brand visibility.

### Culture-driven Marketing

Our marketing campaign reinforces our positioning as the ambassador of plum culture. Recognizing the growing interest among younger generations in the "new Chinese style," which combines traditional Chinese aesthetics with modern fashion, we have seamlessly integrated these elements into our product packaging and marketing materials that feature motifs and patterns that reflect the elegance and heritage of Chinese plum culture while adding a contemporary, youthful twist. By aligning our visual identity with this modern interpretation of traditional culture, we create a brand image that is both timeless and trendy, appealing to the aesthetics sensibilities of younger consumers without losing the authenticity of our roots.

Our marketing campaigns also transcend the boundaries of traditional marketing by spanning both offline and online platforms, delivering a cohesive yet diversified experience that appeals to a broad audience. Our offline marketing activities at retail points, such as the "Plum Experience Stations," offer an immersive exploration of plum culture, allowing consumers to engage with our products through taste trials, interactive displays and video materials. These stations serve as a tangible connection to our cultural narratives, bringing the stories and values of plum culture to life.

The "66 Plum Festival" is a distinctive celebration that embodies our unwavering commitments to promoting the rich heritage of plum culture while appealing to the evolving tastes and cultural sensibilities of younger generations. A cornerstone of the festival's appeal to younger audiences is our ability to incorporate cultural elements that align with younger generation's preferences. For instance, as a part of our overall celebration, the "66 Plum Musical Festival" has become a highlight of the event, featuring performances by popular celebrities and KOLs who are widely followed by younger consumers. This musical celebration not only creates excitement and engagement but also allows us to reframe traditional plum culture within a modern and vibrant context that resonates with younger audiences.

In addition, we promote the "66 Plum Festival" on social media platforms where the younger generation is most active, including Douyin, Weibo and Xiaohongshu. Through interactive campaigns, trending hashtags and user-generated content challenges, we encourage consumers to participate in discussions around plum culture and share their experiences with our products. This social media campaign amplifies the festival's visibility and fosters a sense of community among younger consumers. For example, our topic "China Plum Liuliumei" reached 1.6 billion clicks on Weibo, remaining on the top of the Hot Search List.



The plum harvest season embodies the essence of nature and tradition, providing the ideal backdrop for campaigns that emphasize the origins and artisanal craftsmanship behind our products. During this period, we highlight the connection between the nature and our product's value, using origin-based storytelling to celebrate the meticulous care and expertise that define our sourcing and production processes. Our messaging emphasizes the plum culture, underscoring the natural, health-conscious attributes of our offerings. Seasonal-limited products are introduced to capture the freshness and vitality of the season, further enhancing the interactive consumer experience.

**Festival Marketing**

Other than our culture-driven marketing, we also deploy festival marketing strategy that is crafted to align with the unique characteristics of summer and Chinese New Year. Through a sophisticated blend of tailored messaging and product designs, we ensure our festival campaigns deeply resonate with the customers' emotional attachments and consumption patterns during those festivals.

As the season transitions to summer, our focus shifts to capturing the vibrancy and energy associated with the summer months. This season presents a unique opportunity to position our products as summer-themed products that are refreshing, invigorating and ideally suited for consumers' active lifestyles. Our campaigns emphasize the cooling and revitalizing attributes of our offerings, introducing limited-edition flavors that align with the season's demand for light and refreshing snacks. The campaign narrative is further amplified through dynamic marketing initiatives that leverage the reach and cultural relevance of digital platforms. We create aspirational content that resonates with consumers' lifestyle aspirations on social media platforms and host dynamic events, such as summer-themed pop-ups, which bring the brand to consumers' lifestyle in engaging and memorable ways.

Chinese New Year, as the most culturally significant festival in China, serves as the peak of our annual marketing efforts. This period is imbued with themes of reunion, prosperity and celebration. Our campaigns during this time are meticulously orchestrated to reflect the festive spirit, with product offerings that embody the richness of tradition and the vibrancy of the season. Festive packaging in auspicious colors, such as red and gold, is paired with symbolic designs that convey blessings of health, happiness and prosperity. Iconic product lines, such as our "Family Bucket" and "Eye-Catching Pack" series, are tailored to the gifting and sharing traditions intrinsic to the holiday, ensuring our offerings resonate as both practical and meaningful choices. Beyond the products themselves, we elevate the consumer experience through immersive retail activities, such as personalized gift-wrapping stations and festive-themed tastings, creating moments of joy and connection that reinforce the role of our brand in consumers' festival celebrations.

Each of these festival marketing campaigns demonstrates our ability to adapt to the unique characteristics of the plum harvest season, summer, and Chinese New Year, while showcasing our brand's core value propositions to consumers. Through thoughtful execution and innovative marketing approaches, we create campaigns that not only drive consumer engagement but also deepen their emotional connection to our brand.



### KOL and Celebrity Marketing

Through meticulously curated collaborations with celebrities and KOLs, we leverage their influential platforms and extensive fan bases to ensure our campaigns effectively reach targeted audiences. We frequently collaborate with celebrities and KOLs to facilitate the launch of new products. Recognizing the rising popularity of live-commerce, we introduce engaging topics that associate our new products with our celebrity ambassadors or organize live-commerce sales featuring our ambassadors. This marketing strategy allows us to rapidly capture customer attention for our new products and amplify our online presence.

We carefully select our brand ambassadors who align with our youthful, vibrant and elegant brand image that resonates strongly with younger generations. For over a decade, our nationally renowned brand ambassador has been a cornerstone of our branding efforts, and her modern, aspirational image serves as a natural extension of our core values. Our longstanding marketing campaigns featuring her iconic delivery of our memorable slogans have not only solidified nationwide consumer awareness of our brand but also imbued it with a deep sense of emotional connection.

Building on our past celebrity marketing experience, we have strategically diversified our collaborations to tap into emerging consumer trends and preferences. Our partnership with a poplar group, Teens in Times, represents a deliberate effort to capture the attention of Generation Z consumers. The group's energetic and contemporary image aligns seamlessly with our products' dynamic and vibrant identity. The campaign sparked a viral phenomenon, generating over one billion views and over one million discussions on social media platforms. Additionally, in our campaign, we paired individual group members with specific products, further illustrating the product's identity, creating emotional affinity with potential customers and translating their fan bases to our loyal customers.

## OUR CUSTOMERS

Our major customers primarily comprise both retailers and distributors. During the Track Record Period, revenue from our five largest customers in each year accounted for 12.7%,14.2% and 33.1% of our total revenue for the respective year. During the Track Record Period, revenue from our largest customer in each year accounted for 4.6%, 3.4% and 14.1% of our total revenue for the respective year.

The following tables set forth details about our five largest customers during the Track Record Period:

**Year ended December 31, 2022**

| Customers | Background | Products purchased by the customer | Revenue | % of total revenue | Year of commencement of business relationship |
|---|---|---|---|---|---|
| | | | *(RMB in thousand)* | | |
| Customer A | A nationwide chain supermarket headquartered in Shanghai, China | Dried plum snacks and prune-based products | 54,551 | 4.6% | 2016 |
| Customer B | A distributor selling a variety of products, including food, groceries, appliance and furniture, with headquartered in Chengdu, China | Dried plum snacks | 35,213 | 3.0% | 2010 |
| Customer C | A distributor selling a variety of products, including food, groceries, appliance and furniture, with headquartered in Changsha, China | Dried plum snacks | 23,449 | 2.0% | 2009 |
| Customer D | A retailer selling snack food and functional food, with headquartered in Beijing, China | Dried plum snacks, prune-based products and plum jelly | 20,306 | 1.7% | 2022 |
| Customer E | A chain supermarket possessing thousands of stores, listed on Shanghai Stock Exchange in 2016 | Dried plum snacks | 16,608 | 1.4% | 2009 |
| **Total** | | | **150,127** | **12.7%** | |

**Year ended December 31, 2023**

| Customers | Background | Products purchased by the customer | Revenue | % of total revenue | Year of commencement of business relationship |
|---|---|---|---|---|---|
| | | | *(RMB in thousand)* | | |
| Customer A | A nationwide chain supermarket headquartered in Shanghai, China | Dried plum snacks and prune-based products | 44,427 | 3.4% | 2016 |
| Customer F | A nationwide chain snack store headquartered in Changsha, China | Dried plum snacks and plum jelly | 43,053 | 3.3% | 2022 |
| Customer G | A company listed in Shenzhen Stock Exchange, operating a chain snack store brand | Dried plum snacks, prune-based products and plum jelly | 39,443 | 3.0% | 2022 |
| Customer D | A retailer selling snack food and functional food, with headquartered in Beijing, China | Dried plum snacks and plum jelly | 31,340 | 2.4% | 2022 |
| Customer B | A distributor selling a variety of products, including food, groceries, appliance and furniture, with headquartered in Chengdu, China | Dried plum snacks and prune-based products | 27,197 | 2.1% | 2010 |
| **Total** | | | **185,460** | **14.2%** | |

**Year ended December 31, 2024**

| Customers | Background | Products purchased by the customer | Revenue | % of total revenue | Year of commencement of business relationship |
|---|---|---|---|---|---|
| | | | *(RMB in thousand)* | | |
| Customer F | A nationwide chain snack store headquartered in Changsha, China | Dried plum snacks and plum jelly | 228,568 | 14.1% | 2022 |
| Customer G | A company listed in Shenzhen Stock Exchange, operating a chain snack store brand | Dried plum snacks, prune-based products and plum jelly | 193,365 | 12.0% | 2022 |
| Customer H | A nationwide chain snack store headquartered in Chengdu, China | Dried plum snacks, prune-based products and plum jelly | 44,299 | 2.7% | 2022 |
| Customer A | A nationwide chain supermarket headquartered in Shanghai, China | Dried plum snacks and prune-based products | 36,112 | 2.2% | 2016 |
| Customer D | A retailer selling snack food and functional food, with headquartered in Beijing, China | Dried plum snacks, prune-based products and plum jelly | 34,183 | 2.1% | 2022 |
| **Total** | | | **536,527** | **33.1%** | |

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

**Third-Party Payment Arrangements**

***Background and Implications Relating to Third-Party Payment Arrangements***

During the Track Record Period, certain of our customers (individually or collectively, the "Relevant Customer(s)") settled payments with us through accounts that do not belong to the contractual parties, except for those settled through the accounts of the operators in the case of sole proprietorships, under the corresponding sales and purchase agreements (the "Third Party Payment Arrangements"). We generally required the Relevant Customers and their designated third-party payors to undertake our review procedures, such as providing us with written confirmation of delegation before entering into Third-Party

Payment Arrangements. In 2022, 2023 and 2024, the aggregate amount settled with the Relevant Customers under the Third-Party Payment Arrangements was RMB227.6 million, RMB215.4 million and RMB79.0 million, respectively, representing 19.4%, 16.3% and 4.9% of the total revenue for the same periods. No single Relevant Customer made material contribution to our revenue in any year during the Track Record Period. As of October 1, 2024, we had ceased all Third-Party Payment Arrangements.

The Relevant Customers during the Track Record Period were distributors primarily in the form of sole proprietorships, limited liability companies (owned by either individuals or legal entities) and, in limited cases, partnerships. Based on the representations of the Relevant Customers and to the best knowledge of our Directors, the Relevant Customers mainly utilized Third-Party Payment Arrangements either because they preferred using their affiliated persons' accounts for convenience, or because they would like to avoid the cumbersomeness of corporate accounts and maintain operational flexibility. To the best of our knowledge, the designated third-party payors primarily consisted of persons affiliated with the Relevant Customers, such as controlling shareholders, family members or employees of the Relevant Customers. According to the Frost & Sullivan, it is a common commercial practice for businesses in the snack food industry in China to settle payments through third-party payors with their suppliers or customers for convenience and flexibility.

During the Track Record Period, we did not initiate any Third-Party Payment Arrangements, and the Third-Party Payment Arrangements were arranged based on the Relevant Customers' requests. We did not provide any discount, commission, rebate or other benefits to any of the Relevant Customers or the designated third-party payors to facilitate or incentivize the Third-Party Payment Arrangements. To the best of our knowledge, during the Track Record Period, the relevant payments were based on *bona fide* underlying transactions and valid contractual relationships. The pricing and payment terms we provided to the Relevant Customers were in line with those provided to customers not involved in the Third-Party Payment Arrangements. During the Track Record Period, to the best knowledge of our Directors, all Relevant Customers and the designated third-party payors who settled payments under the Third-Party Payment Arrangements were Independent Third Parties.

To the best of our knowledge, we were not the subject of any investigations, enquiries, penalties or surcharges as a result of our involvement in the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date. In addition, we had not encountered any refund requests, actual or pending disputes or disagreements due to Third-Party Payment Arrangements or any material claims against us in relation to the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date.

As advised by our PRC Legal Advisor, (i) the risks of financial losses caused by the Third-Party Payment Arrangments were low for our Group; (ii) the Third-Party Payment Arrangements during the Track Record Period do not contravene the mandatory provisions of the Civil Code of the PRC or other relevant applicable PRC laws and regulations currently in effect; (iii) the likelihood that we would be imposed any administrative penalties for being deemed as violating relevant PRC laws and regulations related to tax evasion in connection with aforementioned Third-Party Payment Arrangements is remote; and (iv) the risk of the Third-Party Payment Arrangements being deemed as constituting the crime of money laundering under Article 191 of the Criminal Law of the PRC (《中華人民共和國刑法》) for the purpose of disguising or concealing the source and nature of proceeds or gains is low.

***Enhanced Internal Control Measures and Cessation of Third-party Payment Arrangements***

During the Track Record Period, we implemented internal control measures to monitor and manage the Third-Party Payment Arrangements. We required the Relevant Customers to communicate with us the relevant information, including, among others, the reasons for the Third-Party Payment Arrangements and the identity of the involved third-party payors. We generally required the Relevant Customers to undertake review procedures, such as providing us with the written delegation, which specifies that the designated third-party payors are authorized by the Relevant Customers to settle payments with us and that the Relevant Customers shall bear the liabilities of any economic dispute caused by the Third Party Payment Arrangements.

To prevent the recurrence of, and mitigate the potential risks from, the Third-Party Payment Arrangements, we have implemented enhanced internal control measures, including, among others:

(i) we started to implement Third-Party Payment Arrangements rectification measures and informed our employees of the enhanced internal control measures; and

(ii) we issued a notice on September 24, 2024, pursuant to which we only allow payments either (a) directly from the accounts of the customers; or (b) through the accounts of the operators in the case of sole proprietorships.

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

## RESEARCH AND DEVELOPMENT

As of December 31, 2024, we had 26 research and development (R&D) professionals, and many of whom have postgraduate degrees. Additionally, we attend campus recruiting events to hire graduating college students majoring in food engineering, food safety and nutrition, polymer chemistry and other fields from top Chinese universities, further expanding our R&D team. We also actively collaborate with researchers from top universities and research institutions, exploring the potential of plums in other untapped fields and contributing our industry knowhows to facilitate academic research of plums. Combining our strengths in both the product and equipment development, we are committed to offering high-quality products catering to ever-changing consumer preferences.

### Product R&D

We rely on R&D efforts and our market insights to diversify our product portfolio. Each of our product R&D follows certain key steps as illustrated below:

- *Product Design*. Our branding and marketing team conducts annual market analysis to evaluate market trends, consumer preferences and the competitive landscape. Before launching a new product, we assess the product's technical and financial feasibility, considering its market potential. Upgrading existing products typically takes two to three months, while launching new products can take a year or more. For our seasonal products, the product design process is embedded in our annual strategic planning to ensure they can be timely introduced to the market.

- *Product Validation*. We operate a professional taste evaluation laboratory and trained evaluation team to validate product prototypes through a two-tier process: internal multi-dimensional assessments followed by independent third-party consumer blind testing. Only prototypes passing both testing processes may proceed to trial production.

- *Raw Material Procurement*. After we determine the viable product design, our R&D team establishes the quality standards for raw material, manufacturing process, packaging and finished products. The R&D team procures key raw materials while working closely with quality control and procurement team in selecting suppliers, ensuring the consistent quality of our finished products. Meanwhile, our branding team is responsible for selecting packaging materials, ensuring that our packaging design align with our product and brand positioning. Our procurement plan is based on the estimation of our production's needs.

- *Product Launch*. Before launching any new product, our R&D team invites our product validation team and some customers to conduct flavor testing to ensure its quality and market acceptance. Once the product passes these internal evaluations, we proceed with small- and medium-scale market tests to gather consumer feedback and benchmark our product against its key competitors. We launch the product and begin mass production only after confirming a positive market response to the new product.

We continuously enhance our existing products by introducing innovative flavors and product categories fully unlocking their market potential and reinforcing consumer engagement. Guided by market insights, we strategically integrate trending flavors such as chili and pineapple, as well as popular product categories such as gummy and tea concentrate into our portfolio, catering to evolving consumer preferences while maintaining our brand's relevance. Our product R&D process is highly structured, combining rigorous data-driven research with iterative formula refinement to ensure each new offering aligns with consumer expectations while delivering unique appeal.

**Fundamental R&D**

As an industry-leading enterprise that is committed to driving innovation and promoting sustainable development through our robust R&D capabilities, we have engaged in various fundamental research of plums. We firmly believe that exploring the core value of plums not only enhances product quality and reduces production costs but also broadens the industry's understanding of their nutritional, medicinal and commercial potential, creating new market opportunities and elevating the value chain of the entire plum-based food industry. We conduct cross-industry co-branding collaborations with members of the National Plum Innovation Alliance, including enterprises in the beverage, alcohol and dried fruit sectors to continuously enrich the consumption scenarios for plum-based products.

We established the Liuliumei Research Institute, which has united a team of top-tier experts and formed strategic partnerships with renowned academic institutions. Additionally, the Institute was recognized as a Provincial High Technology Enterprise, underscoring our robust R&D capabilities and our pivotal role in driving innovation within the plum industry. Committed to improving plum varieties, enhancing plum planting techniques and exploring the medicinal and nutritional value of plums, the Institute has spearheaded in drafting various industry standards, such as the "Provincial Standard for Plum Seedlings" and the "Provincial Standard for Plum Cultivation."

Moreover, we led in establishing the National Plum Innovation Alliance, in collaboration with academic institutions and leading enterprises within the snack food industry. This initiative illustrates our commitment to fostering a collaborative platform that integrates industry resources to address critical strategic and technical challenges. By cultivating partnerships among top enterprises and research institutions, the Alliance has successfully introduced a market-oriented, enterprise-driven model tailored to meet broader industry needs. Through the creation of high-level experimental platforms and trial bases, we have strengthened the technological foundation of the plum industry, enhancing its core competitiveness and ensuring its sustainable development.

Leveraging advanced food processing technologies, we have developed a precision extraction and concentration technique to preserve key natural constituents of plums, including organic acids, phenolic compounds and volatile aromatic, while amplifying plums' inherent flavor profiles. Our proprietary formula replaces artificial additives with natural alternatives, such as natural fermentation derivatives, plant-based polyphenol antioxidants, as well as fruit or vegetable-sourced pigments, underscoring our commitment to health-conscious, natural food products. Third-party GC-MS analysis verifies that our innovative manufacturing process has enhanced natural flavor compound concentration, creating a complex while authentic taste profile. Our manufacturing process synthesizes traditional production techniques and modern food processing technologies to maintain the pure essences of plums while meeting contemporary trends for health-conscious food.

In order to ensure the quality of our products and improve our production efficiency, we continuously update production techniques and renovate our equipment. We lead the shift to automated production processes and driving production process innovation, consistently introducing advanced production technologies while collaborating extensively with our production equipment suppliers and academic institutions.

## OUR PRODUCTION

### Our Production Facilities

During the Track Record Period, our production plants mainly produced dried plum snacks, plum jelly and prune-based products. Processing plums shortly after the harvest is crucial to prevent deterioration, posing a significant challenge for plum-based product manufacturers. To address this, we strategically build our production bases in major plum-sourcing regions in China, timely processing our raw materials to preserve their quality. We further process the work-in-progress into finished products in our four production plants.

We also engage some third-party contractors, from time to time, primarily to ease the short-term pressure on our production facilities caused by the short shelf life of our raw materials and temporary production shortage during peak seasons. See "— Seasonality." We typically engage contractors to facilitate only certain phases of the production, such as the pickling phase for our dried plum snacks. To the best of our knowledge, during the Track Record Period, all of our third-party contractors were Independent Third Parties. During the Track Record Period, there was no employment, financing or family relationship between our third-party contractors and us or our subsidiaries, our shareholders, directors or senior management, or any of their respective associates.

The following table sets forth the production capacity, production volume and utilization rate by product category during the Track Record Period:

| | Year ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | 2023 | | | 2024 | | |
| | Designed production capacity | Actual production volume | Utilization rate (%) | Designed production capacity | Actual production volume | Utilization rate (%) | Designed production capacity | Actual production volume | Utilization rate (%) |
| | *(tons in thousands, except for percentages)* | | | | | | | | |
| Dried plum snacks | 24.4 | 20.7 | 84.9 | 27.1 | 21.8 | 80.6 | 33.7 | 28.7 | 85.2 |
| Plum jelly | 6.3 | 2.7 | 42.3 | 10.3 | 7.3 | 70.8 | 23.6 | 18.8 | 79.8 |
| Prune-based products | 4.3 | 3.1 | 71.4 | 4.5 | 4.1 | 90.8 | 6.8 | 5.8 | 86.0 |
| Others | 0.3 | 0.2 | 82.6 | 0.3 | 0.2 | 57.3 | 1.2 | 0.9 | 78.3 |
| **Total** | **35.3** | **26.7** | **75.6** | **42.2** | **33.4** | **79.1** | **65.3** | **54.3** | **83.2** |

*Notes:*

(1) The actual production volume during the year is the total volume of the products manufactured during that year.

(2) The utilization rate during the year or period equals to the actual production volume divided by the designed capacity during the same year or period.

The following table sets forth the production capacity, production volume and utilization rate of our four production plants for finished products during the Track Record Period:

| | Year ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | 2023 | | | 2024 | | |
| | Designed capacity | Actual production | Utilization rate (%) | Designed capacity | Actual production | Utilization rate (%) | Designed capacity | Actual production | Utilization rate (%) |
| | *(tons in thousands, except for percentages)* | | | | | | | | |
| Anhui Plant | 23.0 | 19.9 | 86.4 | 25.9 | 22.5 | 86.9 | 32.2 | 30.2 | 93.9 |
| Plum Jelly Plant | 6.3 | 2.7 | 42.3 | 10.3 | 7.3 | 70.8 | 23.6 | 18.8 | 79.8 |
| Wuhu Plant | 6.0 | 4.2 | 69.2 | 6.0 | 3.6 | 59.9 | 6.0 | 3.5 | 58.1 |
| Biotechnology Plant | – | – | – | – | – | – | 3.5 | 1.8 | 51.8 |
| **Total** | **35.3** | **26.7** | **75.6** | **42.2** | **33.4** | **79.1** | **65.3** | **54.3** | **83.2** |

*Notes:*

(1) The utilization rate of our production plant during the period equals the actual production volume divided by the designed production capacity during the same period.

(2) During the Track Record Period, Anhui Plant primarily produced dried plum products and prune-based products.

(3) During the Track Record Period, our Plum Jelly Plant mainly produced plum jelly products. The utilization rate of our Plum Jelly Plant was relatively low in 2022 because our Plum Jelly Plant was put into operation in May, 2022 and underwent a production ramp-up period during that year.

(4) During the Track Record Period, our Wuhu Plant primarily produced dried plum snacks and other products.

(5) During the Track Record Period, our Biotechnology Plant primarily produced pitted prune-based products, dried plum snacks and other plum-based products. Our Biotechnology Plant was put into operation in 2024 and underwent a production ramp-up period during that year.

**Our Production Process**

We continue to refine and optimize our production process to ensure that our products consistently deliver exceptional taste to meet our consumers' evolving preferences. To ensure the high-quality finished products, we have implemented rigorous quality control mechanisms throughout the production processes, spanning from raw material inspection, pre-treatment and processing to product packaging and inspection. Our production facilities are designed in accordance with industry standards and regulatory requirements All production equipment is regularly cleaned and maintained by dedicated personnel under our protocols. We further require our production staffs to undergo comprehensive hygiene and technical trainings to uphold our product quality and safety standards.

In addition to these rigorous quality control measures, we leverage our strong R&D capabilities and collaborations with industry-leading manufacturing equipment suppliers to enhance our production efficiency and the level of automation within our production lines. By integrating advanced technologies and production management systems into our production process, we have greatly enhanced our control over production quality while preserving the natural flavors and textures of our products. These methods ensure that the taste and quality of our products remain consistent across batches while streamlining our production processes and minimizing human errors. See "— Research and Development — Fundamental R&D."

The details of the key steps in the production processes of our dried plum snacks are as follows:

1. **Raw Material Inspection:** Procure high-quality plums from reliable sources, implement a preliminary inspection process to ensure they meet our production requirements for size and texture, and then deploy an advanced air-cleaning system to remove debris, leaves, stems and other impurities on qualified raw materials, ensuring that they are pristine for processing.

2. **Grading:** Use specialized machines to sort plums into different grades based on their size and quality, ensuring that raw materials are properly processed and optimize the quality sorting.

3. **Pickling:** Place graded plums into salting and sugaring vats for about 90 days.

4. **Sun-drying:** Place the salted and sugared plums in a large drying shed to sun-dry them, allowing them to fully absorb the sunlight.

5. **Washing:** Wash and remove residual salt or surface impurities on the dried plums, and then add sugar and other seasoning to enrich the flavors of our products.

6. **Flavoring:** Add other seasonings to further blend and enhance the flavor, based on our proprietary formulas.

7. **Drying:** Place the seasoned and cleaned plums in a controlled environment to further dry them and reduce the moisture content to below 30%.

8. **Product Inspection:** Conduct a comprehensive inspection of the semi-finished products, assessing parameters such as moisture, salt content, acidity, bacteria and heavy metal content to ensure compliance with quality and safety standards mandated by relevant laws and regulations and utilize specialized metal detectors to identify and remove any potential metal contaminants introduced during the production process.

9. **Packaging:** Package products that meet quality requirements in standardized sizes using our high-precision machinery, ensuring suitability for storage and transportation.

10. **Final Inspection:** Conduct a final inspection on the packaged products to ensure that they satisfy all quality requirements.

11. **Storage:** Place qualified products in a controlled environment and label each product box with a specific code to facilitate monitoring and tracing during the distribution process.

Our advanced processing technologies in plum jelly production, such as low-temperature processing and high-pressure filtering, retain the nutrients in fruits while preserving their natural flavors. The details of the key steps in the production processes of our plum jelly are as follows:

1. **Raw Material Inspection:** Inspect raw materials rigorously after procuring them from selected suppliers, sorting out qualified materials for further processing.

2. **Seasoning and Flavoring:** Use digital systems to precisely measure and blend ingredients according to a standardized recipe and process, ensuring consistency in formulations and minimizing human error.

3. **Processing:** Process the blended jelly mixture under controlled pressure and strict hygiene conditions to achieve the desired taste and texture, then subject the mixture to high-temperature steam pasteurization for 30 minutes to eliminate potential contaminants, and then cool it using a low-temperature spray system and hot-air drying to extend shelf life without preservatives.

4. **Inspection:** Conduct visual imaging and manual inspections to identify metal and other potential contaminants, ensuring only defect-free products proceed to packaging and market release.

5. **Packaging:** Package plum jelly products, assign a unique barcode to each product, verify that the product's weight meets the standard outlined on the packaging and seal all qualified products by using automated machinery.

6. **Storage:** Deliver properly packaged and inspected products to warehouses with appropriate storage conditions.

**Our Production Expansion Plan**

During the Track Record Period, we gradually expanded the production capacity of our existing production plants to meet the growing demand for our products. Meanwhile, utilization rates of our production plants also increased steadily, especially at our Plum Jelly Plant, as we promoted and sold more plum jelly products in response to rising market demand.

Looking forward, the market demand for our dried plum snacks, plum jelly and prune-based products is expected to grow further due to increasing market acceptance and popularity of our brands. According to Frost & Sullivan, the market size of green-plum-based fruit snacks industry by retail sales value is expected to increase from RMB10.4 billion in 2025 to RMB17.0 billion in 2029, representing a CAGR of 13.0%. During the same period, the market size of prune-based fruit snacks by retail sales value is expected to increase from RMB4.7 billion in 2025 to RMB8.2 billion in 2029 at a CAGR of 14.9%, while the market size of jelly industry is expected to increase from RMB35.0 billion in 2025 to RMB57.0 billion in 2029 at a CAGR of 13.0%. We therefore plan to expand the production capacity of our plum jelly line plant to meet this persistently strong demand. In addition, we plan to increase the production capacity of our dried plum snacks and prune-based products to accommodate diverse consumer preferences. As we expand our product offerings into new categories like plum gummy and plum based condiments, we anticipate that our current capacity will not be sufficient to keep up with the growing market demand. This production expansion plan is therefore crucial to support our continued business growth.

**Our OEM Suppliers**

To optimize production efficiency, we collaborate with reliable OEM suppliers for the production of some of our plum jelly and other plum-based products to relieve the production capacity shortage caused by overwhelming market demand. In our collaborations, we provide raw materials directly to our OEM suppliers and require them to comply with our quality standards and operational guidelines. These suppliers must meet our specified requirements for production facilities and organize production based on agreed conditions, equipment, process, standards, quantities and timelines.

We regularly send personnel to monitor our suppliers, providing technical guidance and supervising their production process, ensuring that their production processes comply with our required protocols and regulatory requirements. In the event of any failure by our OEM suppliers to meet our internal guidelines and policies, we may cease to work with them. We maintain long-term relationships with our OEM suppliers. During the Track Record Period, we did not experience any failure by our OEM supplier to meet our internal guidelines and policies that might cause to cease our business relationship.

The following table sets forth the breakdown of the production volume attributed to our internal production and OEM production during the Track Record Period:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *kilotons* | *%* | *kilotons* | *%* | *kilotons* | *%* |
| Attributed to our internal production | 26.7 | 79.2 | 33.4 | 83.6 | 54.3 | 90.1 |
| Attributed to OEM production | 7.0 | 20.8 | 6.6 | 16.4 | 6.0 | 9.9 |
| **Total** | 33.7 | 100.0 | 39.9 | 100.0 | 60.3 | 100.0 |

The salient terms of the agreements with our representative OEM supplier are set forth as below:

- *Term*. We enter into an agreement with a term of three to four years.
- *Rights and Obligations of Parties Involved*. We shall specify the production volume, product type, delivery schedule and logistics arrangement.
- *Minimum Production Volume*. The agreement generally sets forth a specified minimum production volume for each production order. We shall be liable for any excessive production wastage if the production order falls below the specified minimum, while the OEM supplier shall be responsible for excessive wastage if the production shortfall is caused by equipment failure, power outage or other reasons attributable to the OEM supplier.
- *Pricing*. The price of the production is determined by the production volume.
- *Warehousing and Logistics*. We shall deliver raw materials, auxiliary materials and packaging materials to the location designated by the OEM supplier at our own expense.
- *Termination*. Unless otherwise agreed by the parties, neither we nor the OEM supplier may terminate the order or reduce its amount without providing at least prior notice.

## SUPPLY CHAIN MANAGEMENT

Our integrated supply chain spanning across raw material procurement, processing and production is key to our success. Our procurement team is mainly responsible for purchasing raw materials, seasoning and other auxiliary materials, packaging materials, equipment and accessories, office supplies, labor protection products and other supplies that are necessary for our production. The procurement team coordinates with our production team, preparing a procurement list based on the production team's plans, annual budgets and market price for raw materials. Meanwhile, the procurement team is also responsible for purchasing bulk raw materials and strategic stockpile that are necessary to our production, planning and purchasing fundamental raw materials based on its analysis of the market.

### Raw Materials

Our raw materials primarily include plums, prunes, fresh fruits and konjac, among others. Seasoning and other auxiliary materials such as salt and sugar are also used in our production. We implement end-to-end quality control of raw material supply by leveraging our market leadership and R&D capabilities. We set stringent standards to select suppliers and effective mechanisms to monitor their performance, enabling us to reduce production costs and ensure production quality. To ensure the quality of our finished products, our procurement team carefully selects qualified raw material suppliers, and our production team conducts thorough quality inspection of raw materials. In addition, to effectively manage the procurement costs, we maintain strong connections with our upstream plum suppliers. We procure plums in eight major plum sourcing regions in China, making us resilient against price volatility or disruption in supply.

The salient terms of our procurement agreement with upstream plum suppliers are set forth as below:

- *Term*. We typically enter into a procurement agreement with plum suppliers with a term of about one year.

- *Product Quality*. Under our procurement agreement, plum suppliers are required to deliver plums that meet the specified size and quality requirements on the same day they are harvested.

- *Delivery*. Plum suppliers are responsible for the logistics and shall deliver plums to the place designated by us.

- *Payment*. We make the payment after accepting the delivery.

- *Exclusivity*. During our contractual term, plum suppliers are prohibited from providing plums to other purchasers.

- *Anti-corruption and Anti-bribery*. We attach the Fair Trade Commitment Letter to every procurement contract, requiring our suppliers to refrain from any forms of bribery or corrupt conduct that may be deemed unfair business practices.

We also maintain strong control over the prune supply chain, by sourcing premium-quality prunes at competitive prices directly from the world's leading prune farms in regions such as Chile, France and United States. This direct procurement model enables us to maintain consistent supply for our production needs cost-efficiently. When selecting prune suppliers, we deploy specialized personnel to these farms to conduct on-site inspections and select only the highest-quality prunes that meet our stringent standards for production. Additionally, our large and stable procurement volume, combined with our strong brand recognition in the industry, positions us as a preferred partner for prune suppliers. These suppliers are thus willing to offer us superior quality prunes at more competitive prices due to the reliability of our purchasing agreements and the prestige associated with our brand, creating significant barriers for competitors who may struggle with accessing high-quality prunes at comparable prices.

Our production also requires auxiliary materials such as sugar and salt. We procure sugar and salt from major domestic suppliers based on the market price, effectively mitigating supply shortage risks. Our procurement team adopts a dynamic approach, formulating and adjusting annual procurement plans based on thorough assessments of our production schedules and supply lists. This allows us to align our raw material needs with production demands while capitalizing on market opportunities to optimize costs. Additionally, our strong partnerships with reputable suppliers enable us to secure favorable terms, including pre-negotiated price ranges, which shield us from short-term price fluctuations in the raw materials market. We typically enter into a short-term purchase agreements with our auxiliary material suppliers, which generally have a term of two or three months. Under our procurement agreements, our suppliers are typically responsible for delivering the materials to the location designated by us, using the delivery methods meeting the specified requirements in the agreement. We also specify the product quality for any auxiliary materials and hold suppliers liable for any product liability claims attributable to auxiliary materials' quality issues.

To uphold the quality of these auxiliary inputs, we implement rigorous supplier selection and evaluation protocols, ensuring that only those meeting our stringent standards for quality and reliability are approved. Comprehensive and regular quality inspections are conducted to verify that the sugar and salt sourced meet our precise production requirements, safeguarding the integrity of our finished products. Additionally, leveraging our market influence and purchasing scale, we establish long-term agreements with key suppliers, further enhancing our ability to maintain stable procurement costs and high-quality standards.

**Packaging Materials**

Our packaging materials primarily include packaging bags and thin packaging films. We procure these materials primarily from reliable third-party suppliers in China. We enter into the procurement agreements with them, typically for a term of one year, and our packaging material suppliers provide packaging materials based on our specified packaging designs. These agreements outline price terms and purchase volumes, and we place orders based on our production needs. Our procurement team has implemented a stringent selection mechanism sorting out qualified suppliers, ensuring that our packaging materials comply with relevant laws and regulations relating to the food safety and product quality, as well as our own standards set by our production team. In the event of significant price fluctuations in these packaging materials, we would promptly look for alternative suppliers, ensuring a stable supply of qualified raw materials. Our rigorous selection approach and adaptive supply chain underpin our commitment to delivering safe, high-quality products to consumers.

During the Track Record Period, we did not experience any significant shortage of raw materials and packaging materials supplies, and the raw materials and packaging materials provided by our suppliers did not have any significant quality issues.

**Our Major Suppliers**

Our major suppliers primarily comprise raw material suppliers, production equipment suppliers, packaging material suppliers and manufacturing service providers. During the Track Record Period, purchase amount from our five largest suppliers in each year accounted for 18.0%, 16.9% and 14.5% of our total purchase amount for the respective year. During the Track Record Period, purchase amount from our largest supplier in each year accounted for 4.6%, 5.0% and 5.1% of our total purchase amount for the respective year.

The following tables set forth details about our five largest suppliers during the Track Record Period:

**Year ended December 31, 2022**

| Supplier | Background | Products/ services provided | Purchase amount | % of total purchase amount | Year of commencement of business relationship |
|---|---|---|---|---|---|
| | | | *(RMB in thousand)* | | |
| Supplier A | Sugar supplier in Yunnan, China | Auxiliary materials | 40,032 | 4.6% | 2019 |
| Orihiro Co. Ltd. | A company specializing in design, production, and sale of food packaging, food processing machinery, and food processing plants, production and sale of raw materials for konjac and healthy foods, sale of packaging materials | Production equipment | 36,781 | 4.3% | 2021 |
| Supplier B | a manufacturer of snack food and beverages, located in Hefei, China | Manufacturing services | 31,402 | 3.6% | 2019 |
| Supplier C | A supplier of packaging materials for food industry, located in Huangshan, China | Packaging materials | 27,475 | 3.2% | 2013 |
| Supplier D | A company specializing in selling snack foods, beverages and auxiliary materials | Auxiliary materials | 19,779 | 2.3% | 2021 |
| **Total** | | | **155,469** | **18.0%** | |

**Year ended December 31, 2023**

| Supplier | Background | Products/ services provided | Purchase amount | % of total purchase amount | Year of commencement of business relationship |
|---|---|---|---|---|---|
| | | | *(RMB in thousand)* | | |
| Supplier A | Sugar supplier in Yunnan, China | Auxiliary materials | 50,086 | 5.0% | 2019 |
| Supplier E | A company listed on Shanghai Stock Exchange, specializing in sugar manufacturing, sugar import, port sugar refining, sugar sales and trade in the domestic market, sugar warehousing and logistics | Auxiliary materials | 32,328 | 3.2% | 2020 |
| Supplier F | A prune supplier in Chile | Prunes | 29,271 | 2.9% | 2022 |
| Supplier C | A supplier of packaging materials for food industry, located in Huangshan, China | Packaging materials | 29,065 | 2.9% | 2013 |
| Supplier B | a manufacturer of snack food and beverages, located in Hefei, China | Manufacturing services | 28,638 | 2.9% | 2019 |
| **Total** | | | **169,388** | **16.9%** | |

**Year ended December 31, 2024**

| Supplier | Background | Products/ services provided | Purchase amount | % of total purchase amount | Year of commencement of business relationship |
|---|---|---|---|---|---|
| | | | *(RMB in thousand)* | | |
| Supplier A | Sugar supplier in Yunnan, China | Auxiliary materials | 62,436 | 5.1% | 2019 |
| Supplier C | A supplier of packaging materials for food industry, located in Huangshan, China | Packaging materials | 36,644 | 3.0% | 2013 |
| Supplier G | A packaging material and printing service supplier, located in Hangzhou, China | Packaging materials | 26,896 | 2.2% | 2013 |
| Supplier E | A company engaged in sugar manufacturing, sugar import, port sugar refining, sugar sales and trade in the domestic market, sugar warehousing and logistics | Auxiliary materials | 26,100 | 2.1% | 2020 |
| Supplier H | A prune supplier in Chile | Prunes | 25,832 | 2.1% | 2022 |
| **Total** | | | **177,908** | **14.5%** | |

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

**Warehousing and Logistics**

During the Track Record Period and as of the Latest Practicable Date, we operated our own warehouse to store raw materials, work-in-progress and finished products. In addition, we also leased a third-party warehouse to store finished products in preparation for peak seasons. During the same period, the majority of our product transportation was provided by independent third-party logistics service providers. We typically enter into service agreements with logistics service providers with competent qualification, service ability and competitive price. Under our standard agreements with our logistics service providers, we require them to promptly deliver our products to designated customers. The risks relating to the transportation and delivery of our products are transferred to the logistics service providers once they confirm receipt of the products to be delivered.

**Inventory Management**

Effective inventory management is crucial to our ongoing success. We implement stringent inventory management measures that encompass raw materials, work in progress and finished products, dynamically adjusted in alignment with distributors' sales performance and evolving market demand. Our inventory turnover days amounted to 186.5 days, 181.7 days and 167.7 days in 2022, 2023 and 2024, respectively.

We regularly conduct on-site inspection distributors' inventory level, enabling us to monitor real-time inventory levels, facilitating our production planning and effectively mitigating risks of overstocking or shortages. In addition, we dispatch designated personnel to conduct random on-site inventory audits at distributor locations. These in-person inspections serve to verify the authenticity of reported inventory levels while providing valuable insights into market sales trends and inventory turnover efficiency. Together, these dual-track mechanisms help to maintain inventory accountability and precision, forming the cornerstone of our strategic decision-making processes.

## FOOD SAFETY AND QUALITY CONTROL

Food safety and product quality is our top priority. We have implemented a comprehensive quality management system that encompasses our entire supply chain, from raw material sourcing to product sales. Leveraging this end-to-end system, we are able to comply with both national regulations and international standards, meet and often exceed customer expectations, and safeguard consumer health.

Building on the requirements of ISO 22000 and HACCP, we identify and evaluate food safety risks in each stage of production. We establish critical control points, develop corresponding control measures and monitoring procedures, and have achieved the globally recognized FSSC 22000 certification in October 2024 to standardize food safety management across our supply chain.

We have established a dedicated quality assurance center with specialized teams for quality planning, quality engineering and supplier management. The testing center has received CMA and CNAS certifications and produces authoritative testing reports that facilitate continuous improvement in our quality management practices. During the Track Record Period, we did not experience any material incidents of food safety and product quality problems.

**Raw Material Quality Control**

We have implemented a rigorous, multi-layered supplier selection and evaluation process to ensure the quality of our raw materials. This process begins with a thorough examination of the suppliers' key qualifications, such as business licenses, production licenses, and relevant system certifications, followed by on-site assessments of the suppliers' production environment, quality management practices, and testing capabilities. We also conduct sample testing with a 100% sampling rate each year and perform annual reviews to continuously monitor our suppliers' performance. Only those suppliers who meet all our requirements are included on our approved supplier list, with whom we establish long-term supply and quality assurance agreements, while those who fail to meet our standards are removed.

Each batch of raw materials delivered to our facilities undergoes stringent inspections before being accepted into inventory. Our testing team conducts evaluations on whether the sensory, physicochemical and microbiological indicators of the raw materials meet both national regulatory requirements and our internal procurement standards, covering, among others, food safety metrics, nutritional components and accurate packaging labels. Should any raw materials fail to meet the standards outlined in the relevant procurement agreements, we are entitled to reject the raw materials. Through this robust approach, we strive to ensure that every batch of raw materials meets or exceeds our quality standards.

**Production Process Quality Control**

We strictly adhere to GMP and SSOP standards in our production facilities, following standardized production processes and operating procedures while regularly maintaining and servicing production equipment to ensure stable and controlled operations. To prevent cross-contamination, we closely regulate temperature, humidity and cleanliness in our workshops. Guided by the HACCP system, we identify critical control points such as sterilization temperature and metal detection, record real-time data, and use automated alarms as necessary.

We also employ intelligent production equipment, including intelligent vision sorting machines, combination dynamic scales and fully automated filling lines, to enhance product quality. To ensure compliance with relevant regulations and our internal standards, we establish multiple checkpoints throughout the production process and conduct both regular and random hygiene inspections focused on critical factors such as temperature, pressure and timing. Any non-conforming products are immediately discarded, and each incident is recorded for root-cause analysis and ongoing improvements to our quality control.

In addition to these technical procedures, we emphasize the importance of our employees in maintaining a safe and consistent production process. Employees are required to maintain proper personal hygiene, pass health examinations before employment, and follow strict sanitation and dress code protocols. We also provide regular training on topics including quality control and food safety to reinforce professional knowledge and foster increased awareness. Through this closed-loop management system of continuous evaluation, inspection and enhancement, we strive to ensure that every batch of finished products meets international standards and upholds our commitment to quality and safety.

### Supply Chain Quality Control

To ensure the stability and quality of our suppliers, we have established various policies to manage our suppliers, for instance, the suppliers management measures, new supplier introduction management measures and supplier assessment management measures. We maintain a clear and structured supplier management procedure to ensure rigorous selection and evaluation. Suppliers are categorized by material type and undergo comprehensive assessments.

As part of our supplier evaluation process, we also evaluate their environmental protection measures in accordance with our supplier management measures. Suppliers are also required to submit samples for testing to ensure compliance with our stringent quality and technical standards. Evaluations are conducted monthly, with annual assessments summarizing these results to provide a comprehensive performance rating. We regularly review suppliers' performance to confirm adherence to contractual obligations. Decisions regarding contract renewals or early terminations are based on these performance evaluations, ensuring alignment with our high standards and operational requirements.

### Product Returns and Product Recalls

We believe that food safety and quality are the lifeblood of food companies. To ensure product quality and safety, we have developed a production process quality management method that establishes production processes and strict controls. In line with our food safety prerequisite program, we have also set hygiene standards for the factory and established a hygiene monitoring system to promptly address any issues. Additionally, all factory employees must undergo hygiene knowledge training before employment and are required to have an annual health check. We have also formulated the management manual to implement the food safety management system and guide all employees to carry out various food safety tasks effectively through the food safety management team.

In accordance with our non-conforming product control procedure and product recall control procedure, we regularly inspect products and manage any non-conforming items through testing and disposal. If unsafe or potentially unsafe products are found to have been delivered to customers, the relevant department will formulate a product recall plan promptly to recall the products and categorize them based on the level of hazard. For emergency incidents, we have established reporting and handling procedures, and we provide at least one food safety-related training annually to relevant employees. We also strive to conduct one emergency drill to enhance food safety awareness, guided by our emergency plan control procedure. During the Track Record Period, the value product return in terms of our total revenue was immaterial.

## COMPETITION

According to Frost & Sullivan, the snack food industry in China is highly competitive. Snack food manufacturers are introducing various innovative products catering to health-conscious consumers. Several segments within the snack food industry present great market opportunities. According to Frost & Sullivan, the market size of the fruit snack industry in China by retail sales value increased from RMB37.8 billion in 2020 to

RMB52.0 billion in 2024 at a CAGR of 8.3%, and is expected to further reach RMB78.0 billion in 2029, with a CAGR of 8.6%. On the other hand, sour-flavored products, particularly plum-based products, have been growing rapidly, primarily due to the evolving market demand for nutritious products. The market size of the plum-based products industry by retail sales value increased from RMB27.3 billion in 2020 to RMB49.9 billion in 2024, at a CAGR of 16.3%, and is expected to rise to RMB93.7 billion in 2029 at a CAGR of 13.2%. We believe our brand recognition, product development ability, sales channel management ability and production and quality control ability enable us to compete effectively against our competitors. According to Frost & Sullivan, in 2024 we ranked first in China's fruit snacks industry, with a market share of 4.9%. Meanwhile, we also ranked first in China's plum-based products industry with a market share of 7.0%, demonstrating our solid market leadership. See "Industry Overview."

We believe that we are well-positioned to excel in the competition within our industry. However, some of our current and potential competitors may have greater resources of capital, technology, brand, sales channel, product development and marketing than we do, and may be able to develop products and services that are more popular than ours. See "Risk Factors — Risks Relating to Our Business and Industry — The snack food industry in which we operate is highly competitive. Failure to stay competitive may materially and adversely affect our results of operations and business growth." Any failure to compete effectively could adversely affect our market share, growth and profitability, thereby causing material adverse effect to our business, financial condition and results of operation.

## SEASONALITY

The supply and demand for our products is subject to seasonal variations during harvest periods of key raw materials, holidays and major shopping events. Our primary raw materials, including plums, prunes and other fruits, are highly seasonal in nature. During the harvest season for plums, typically from late spring to early summer, we procure a substantial quantity of plums sufficient for our annual production. Given the perishability of these raw materials, immediate processing is required, resulting in a concentration of production activities and a significant increase in work in progress during these periods.

In addition to the seasonal procurement, we experience pronounced sales peaks during major holiday seasons and shopping events, such as Chinese New Year, the 618 Shopping Festival and Double Eleven. These events lead to a surge in consumer demand for our products, necessitating increased production and the stockpiling of finished goods in advance. As a result, our inventory levels for finished products, tend to rise leading up to these periods.

The elevated inventory levels of raw materials during harvest seasons and finished products in preparation for sales peaks contribute to fluctuations in our interim results, which may not reflect our overall annual performance. This seasonality highlights the importance of our flexible inventory and supply chain management strategies.

## INTELLECTUAL PROPERTY

As of December 31, 2024, we registered 42 invention and utility model patents, 40 trademarks and 76 copyrights that are material to our business operations in China. See "Appendix VI — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" for more details of our material intellectual property rights.

As our brand names are becoming increasingly more recognized among consumers in China and overseas, we believe that protecting our intellectual property rights are of significant importance for our business operations, branding and reputation. We seek to protect our intellectual property rights by registration of patents, trade secret protection and confidentiality agreements executed with core employees and other third parties, among others.

As of the Latest Practicable Date, we did not have any outstanding material proceedings in connection with infringement of intellectual property rights sued by any third party. We were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. However, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to obtain, maintain and protect our intellectual property or may be involved in legal disputes of infringement of third parties' intellectual property, which may harm our reputation and brand value, and adversely affect our business operations."

## INFORMATION TECHNOLOGY

Information technology systems are essential to competitiveness and efficient operations. We have instituted a systematic information technology system covering all material aspects of our operations, including production, inventory management, sales and procurement, employee and customer management. Our information technology team is responsible for developing, upgrading and maintaining IT systems and customizing them to meet our business needs. Our key information technology systems are set forth below:

- **ERP system:** We utilize the enterprise resource planning ("**ERP**") system to centralize and streamline our core business operations, encompassing procurement, production, inventory management, sales and financial auditing. Our ERP system integrates online and offline orders, monitors the entire transaction from order placement to delivery acceptance and provides real-time data synchronization across various functions. Additionally, the system supports advanced features such as production execution management, multi-channel marketing, e-commerce integration and financial shared services, enabling us to optimize business resource allocation, reduce costs and enhance operational efficiency.

- **CRM system:** We utilize a customer relationship management ("**CRM**") system that integrates marketing, sales and service processes, establishing an effective marketing management system and coordinating multichannel marketing activities. Such system empowers us to more effectively manage product display initiatives, process online orders, execute promotional activities, oversee sales and marketing performance, as well as collect vital market data. By seamlessly integrating with our ERP system, our CRM platform facilitates data-driven decision-making, enhances customer satisfaction and promotes overall market campaigns.

- **OA system:** We utilize the office automation ("**OA**") system to optimize our daily operation processes including document sorting, process verification and human resources management. Such system streamlines our internal management of key employees and work allocations, further promoting the operational efficiency.

- **Cloud service system:** We utilize the cloud service system to facilitate the communications with our customers and among our staff. This system enables us to closely monitor retail prices of our products and oversee credit terms granted to our customers. Such system further assists our internal coordination between different departments, driving down the costs.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any information technology system failure or downtime that had a material adverse effect on our business operations.

## DATA PRIVACY AND SECURITY

In the course of our business operations, we may encounter certain personal data pertaining to our end consumers. For example, when conducting sales on various online platforms or providing customer services, we may obtain end consumers' order information such as shipping addresses, contact details, transaction records and payment data. Moreover, through collaborations with retailers and distributors, we may access additional information related to our end consumers. We recognize the importance of safeguarding personal data and are committed to handling all such information responsibly and in accordance with applicable data protection laws.

We have implemented a series of data protection policies and measures to ensure our compliance with applicable laws and regulations relating to personal data protection, sourcing, storage and usage. These policies and measures include:

- ***Data collection.*** In accordance with the applicable data privacy and protection laws and regulations, we have developed and publicly posted our privacy policies across our official website, mobile applications, and online stores. These policies clearly outline the types of personal data we collect, explain how and why such data is gathered, and specify the purposes for which it is utilized.

- ***Data processing.*** We process personal information in strict adherence to specific and lawful purposes, ensuring that our activities remain limited to the minimal scope necessary for achieving those purposes. Additionally, we do not independently engage in automated decision-making or algorithm-based recommendations; instead, we rely on third-party e-commerce platforms for any automated functionalities and marketing initiatives. In doing so, we ensure full compliance with relevant requirements and uphold all applicable data privacy and protection laws and regulations.

- ***Data transmission.*** In line with the relevant laws and regulations, we promptly inform our customers whenever their personal data is transmitted to third parties, providing details such as the identities of those parties, their contact information, the types of personal data involved, and the specific purposes behind the data transmission.

- ***Data storage.*** In accordance with the applicable data privacy and protection laws and regulations, we store certain personal information of our customers only for the limited time necessary to support our business operations, such as providing logistics services and tracking orders. Furthermore, we have informed our customers that, upon their request through customer services, we may desensitize their personal information.

## EMPLOYEES

As of December 31, 2024, we had 2,134 full-time employees. The following table sets forth a breakdown of our employees by employee function as of the same date:

| Employee Function | Number of Employees | Percent (%) |
|---|---|---|
| Sales and Marketing | 523 | 24.5 |
| Administration and Management | 183 | 8.6 |
| R&D | 26 | 1.2 |
| Production | 1,402 | 65.7 |
| **Total** | 2,134 | 100.0 |

Our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. Therefore, we design and offer various training programs for employees of different departments and positions, covering subjects such as operation, digitalization, R&D, branding and marketing, career advancement, and general management, in order to enhance their professional skill sets and understanding of our Company and the industry.

We have developed a performance evaluation system to assess the performance of our employees annually, which forms the basis for determining the salary levels, bonuses and promotions an employee may receive.

We have not experienced any significant labor disputes which have adversely affected or are likely to have adverse effects on our business operations. We believe we have maintained a good relationship with our employees and we did not have any material labor dispute during the Track Record Period and up to the Latest Practicable Date.

**Social Insurance and Housing Provident Funds**

As required by the laws and regulations in the PRC, we participate in various employee social security plans that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance.

During the Track Record Period, we did not make adequate contributions and failed to make any contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations, primarily because (i) certain employees whose social security accounts were neither suspended nor closed by their previous employer; (ii) certain employees prefer to participate in the rural social security contribution plans in their resident places or their hometowns; (iii) certain employees have already participated in the social security programs in other cities and (iv) certain employees were unwilling to pay the social insurance and housing provident funds in full as it requires additional contributions from our employees. The shortfall of social insurance and housing provident fund contributions amounted to approximately RMB6.0 million, RMB5.0 million and RMB5.2 million in 2022, 2023 and 2024, respectively. In addition, during the Track Record Period, we engaged the third-party agencies to pay social insurance and housing provident funds for certain employees because (i) these employees voluntarily requested us to pay their social insurance and housing provident funds at different locations and (ii) we have not established subsidiaries or branches at certain cities where we have employees.

As advised by our PRC Legal Advisor, pursuant to applicable PRC laws and regulations, if an employer fails to make social insurance contributions in full, the relevant authorities could order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. Additionally, pursuant to applicable PRC laws and regulations, if the employer fails to register and establish an account for housing provident fund contributions, the authority could order the employer to correct it within a prescribed time limit, where failure to do so at the expiration of the time limit shall result in a fine of not less than RMB10,000 nor more than RMB50,000 being imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the authority could order it to make the payment and deposit within a prescribed time limit, and where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a court in China for compulsory enforcement.

Our Directors believe that the incident described above would not have a material adverse effect on our business, financial condition and results of operations, considering that during the Track Record Period and up to the Latest Practicable Date, (i) pursuant to the Urgent Notice on Enforcing the Requirement of the Executive Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) promulgated on September 21, 2018 by the Ministry of Human Resources and Social Security, administrative authorities are prohibited from collectively recovering enterprises' historical social insurance arrears. After interviewing with relevant government authorities, in practice they typically do not proactively pursue the collection from or impose administrative penalties on companies, and they generally will initiate investigations if they receive complaints from employees; (ii) based on the Certificate for No Illegal and Irregular Conduct (無違法違規證明), our confirmation, the confirmation issued by the relevant competent authorities, and as advised by our PRC Legal Advisor, we did not receive any notification from the relevant authorities requiring us to pay for the shortfalls with respect to social insurance and housing provident funds, nor did we receive any administrative penalties from relevant competent authorities; (iii) we have confirmed that no material administrative penalty was imposed on us with respect to the payment of social insurance and housing provident funds as of the Latest Practicable Date. We undertake that if we receive a notice from relevant authorities requiring us to rectify, pay or make up social insurance and housing provident funds within a specified period, we will promptly comply with the requirements of such notice.

Furthermore, those employees, for whom we engaged third-party agencies to pay social insurance and housing provident fund contributions, have provided written confirmations stating that they had authorized us to engage a third-party agency to pay their salaries and individual income tax, and that we had fulfilled the obligation to make social insurance and housing provident fund contributions on their behalf. Additionally, they undertake not to claim any compensation, supplementary payments, or other entitlements against the Company on the grounds that such contributions were not made under the Company's name in the Company's place of registration, and they also undertake not to raise any complaints or claims relating to this matter before any competent authority, labor arbitration committee, people's court, or any other institution.

Based on the foregoing, our PRC Legal Advisor is of the view that the likelihood that we would be required by relevant authorities to pay the shortfall for social insurance and housing provident fund contributions or being subject to administrative penalties due to our failure to make any payment, make full payment or engage a third-party agency to pay social insurance and housing provident fund contributions within the stipulated period for our employees is relatively remote.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this Document, we had not been and were not involved in any material noncompliance incident in relation to social insurance and housing provident funds that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

## INSURANCE

Our primary insurance policies include property insurances covering accidental loss for some of our fixed assets and employer liability insurance. Our Directors believe that our insurance coverage is in line with industry practice and standard business practices of relevant countries. See "Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage to cover our business risks, including all losses or potential claims by our customers, which would affect our business, results of operations and financial condition."

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### ESG Governance

We have established a three-tier environmental, social and governance (ESG) governance structure, comprising of the Board, an ESG working group and an implementation level. The Board holds ultimate responsibility for the ESG strategy and reporting. It monitors and approves our ESG and climate-related management policies, strategies, targets and annual work, and regularly reviews and monitors performance and progress towards our ESG targets. The Board also conducts an annual review of our ESG policies to ensure their effectiveness and to foster a culture aligned with our core ESG values. The Directors regularly attend ESG training to enhance their knowledge of ESG governance.

Our ESG working group, consisting of the chairman of the Board and senior management and with a solid understanding of current ESG issues and our business, will report directly to the Board on ESG matters. Set forth below are the key responsibilities of our ESG working group:

- regularly assess ESG risks in accordance with applicable laws, regulations and policies, and implement mitigating measures to ensure our ESG responsibilities are fulfilled;

- monitor local environmental, social and climate changes in the regions where we operate and take timely measures to mitigate risks during our daily business operations;

- collect, understand and respond to stakeholders' opinions on significant ESG matters through appropriate channels; and

- routinely prepare ESG reports, report to the Board on our ESG performance and the effectiveness of our ESG policies, and provide recommendations to the Board on ESG matters.

**Materiality Assessment**

A materiality assessment has been conducted to gain a deeper understanding of our stakeholders' needs and expectations. We have engaged an independent ESG consultant to assist in conducting a materiality assessment in accordance with Appendix C2 of the Main Board Listing Rules of the Stock Exchange. This involves a questionnaire to gather stakeholders' concerns and expectations, which helped us determine material issues. The materiality assessment process is outlined as follows:

- identify potential material ESG issues that may impact our business or related parties based on our development;
- invite stakeholders (Directors, senior management, employees, suppliers and partners) to participate in the questionnaire to express their concerns on each potential material issue;
- analyze the results from the questionnaire and prioritize potential material issues; and
- review and confirm the material issues by the management for further actions and disclosures.

Based on the results of the materiality assessment, the following topics have been identified as highly material:

- **Product Quality and Safety.** We strictly comply with all laws and regulations on product quality and food safety, establish and maintain robust quality and food safety management systems and processes, and remain committed to providing consumers with safe, reliable, and high-quality food.
- **Product Health and Nutrition.** We use natural ingredients and remain committed to providing consumers with more nutritious, natural, and healthy products.
- **Anti-Corruption.** We implement anti-corruption and anti-money laundering systems to prevent and control corruption and money laundering, while providing training to employees, thereby protecting our Company's interests.
- **Business Ethics.** We comply with applicable laws, regulations, professional ethics and company systems to prevent misconduct detrimental to the Company's interests, while requiring employees to safeguard those interests, comply with the law and uphold professional ethics.
- **Waste Management.** We are committed to reducing waste and controlling the classified collection, storage and disposal of solid waste from our activities, operations and products, thereby reducing environmental pollution and recycling usable resources.

- **Compliance Operations.** We strictly comply with national laws, regulations, and relevant industry standards to prevent violations and promote our long-term, sustainable development.

- **Occupational Health and Safety.** We protect employees' occupational health and safety by adopting comprehensive management systems, offering safety training and work guidelines and striving for an accident-free workplace that fosters safe, healthy development for all.

- **Employee Rights.** We offer competitive remuneration and benefits, a clear performance management and promotion system and structured training plans to attract and retain talent for long-term career growth.

- **Intellectual Property Protection.** We proactively protect our intellectual property rights and ensure that we do not infringe on the third party's intellectual property rights.

**Environmental and Social Issues**

***Energy and Emission Management***

To rationally utilize energy and resources, reduce costs, promote the effective use of energy and resources, and improve our environmental performance, we formulated the energy conservation and resources management guidelines. The energy sources consumed by us primarily include electricity, light diesel and natural gas. We have implemented a series of measures to reduce energy consumption and greenhouse gas (GHG) emissions, including, among others, the following:

- set and manage the temperature and operating time of air conditioners, and control and maintain their operational status;

- manage the lighting schedules in each department to avoid unnecessary long-term lighting;

- record and collect data on the consumption of electricity, fuel and gas;

- ensure that all energy and resources suppliers have appropriate qualifications in line with our related-party environmental aspects management procedure; and

- evaluate the energy consumption performance and environmental requirements of new equipment during the procurement process.

***Water Management***

In accordance with our energy conservation and resources management guidelines and water and wastewater management guidelines, we implement the following measures to conserve water, enhance water efficiency and manage the treatment and discharge of sewage:

- regularly check the operating status of the water pipelines and promptly repair any leaks;
- regularly inspect water supply systems and equipment such as submersible pumps and fans at sewage treatment stations to ensure their normal operation;
- reasonably limit the discharge volume of circulating water to control water consumption;
- strictly prohibit the disposal of oil products, chemical waste liquids, residual oil, leftover food and phosphorus-containing detergents into the pipe network; and
- conduct external monitoring of wastewater discharge and implement corrective and preventive measures in the event of any abnormalities.

***Waste Management***

We aim to control waste generation and improve waste disposal and recycling practices in our offices and factories. In accordance with our solid and hazardous waste management working guidelines, we strive to reduce pollution and promote responsible and sustainable consumption:

- comply with relevant laws and regulations, and implement practices for reducing, detoxifying and utilizing solid waste;
    - o Reduce — strictly control the generation of solid waste and gradually decrease unit output
    - o Detoxify — dispose of solid waste scientifically and reasonably to reduce pollution to levels that meet or exceed national laws and standards, ensuring disposal by qualified units
    - o Utilize — recycle and reuse recyclable waste in compliance with the Renewable Resource Recycling Management Measures (《再生資源回收管理辦法》)

- correctly classify and store hazardous waste, electronic waste, recyclable non-hazardous waste, non-recyclable non-hazardous waste, domestic waste, and sludge in accordance with the National Hazardous Waste List (《國家危險廢物名錄》) and our solid waste classification and disposal table;

- place clear and complete signs indicating the type of collected waste in solid waste storage areas and on collection containers;

- protect collection containers for waste liquids against leakage and overflow, ensure that containers for waste containing flammable substances are covered, and take prompt action if spills or leaks are detected;

- clean the solid waste storage area promptly to prevent overflow, and collect domestic waste daily, recyclable non-hazardous waste daily or weekly, and hazardous and electronic waste monthly or quarterly; and

- engage with qualified and designated recycling units to handle the transshipment of hazardous waste in accordance with the Management Measures for the Transfer of Hazardous Waste Invoices (《危險廢物轉移聯單管理辦法》).

***Use of Sustainable Packaging Materials***

We have always attached great importance on packaging development and management, aiming to promote sustainable packaging through a focus on lightweighting and recyclability.

- **Lightweighting.** While ensuring the packaging fulfills its function, we use new packaging materials, optimize the packaging structure from the design stage, and adopt a high-stiffness PE structure to reduce the consumption of paper, cartons and plastic.

- **Recyclability.** We research, test and promote the use of materials that are recyclable and easy to recycle. Over 80% of our inner soft packaging based on stock keeping unit (SKU) uses recyclable materials, and all hard plastic packaging and shipping cartons use recyclable materials.

*Metrics*

Outlined below are the key environmental performance indicators for our offices, production plants and plum farms. Our GHG inventories are conducted in accordance with the "How to Prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange.

| | Year ended December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| **GHG emission** | | | |
| Scope 1 (Direct emission) ($tCO_2e$)[1] | 24,532.27 | 27,682.17 | 42,618.27 |
| Scope 2 (Indirect emission) ($tCO_2e$)[2] | 6,590.19 | 7,490.39 | 10,395.00 |
| Total GHG emission (Scopes 1, and 2) ($tCO_2e$) | 31,122.47 | 35,172.56 | 53,013.27 |
| Total GHG emission intensity ($tCO_2e$/million RMB revenue) | 26.51 | 26.60 | 32.80 |
| **Resources Consumption** | | | |
| Electricity consumption (kWh) | 12,281,391.55 | 13,934,108.47 | 19,324,593.43 |
| Electricity intensity (kWh/million RMB revenue) | 10,460.74 | 10,539.84 | 11,958.15 |
| Water ($m^3$) | 414,087.00 | 461,623.00 | 614,398.36 |
| Water intensity ($m^3$/million RMB revenue) | 352.70 | 349.17 | 380.19 |
| Gasoline (L) | 179,750.96 | 187,417.41 | 184,903.05 |
| Diesel oil (L) | 8,215,395.01 | 9,962,814.54 | 16,006,895.11 |
| Natural gas ($m^3$) | 1,172,234.00 | 510,600.00 | 109,644.00 |
| Liquefied Petroleum Gas (kg) | 1,140.00 | 1,140.00 | 1,140.00 |
| **Waste** | | | |
| Non-hazardous waste (kg) | 27,340.00 | 27,330.00 | 27,513.00 |
| Non-hazardous waste intensity (kg/million RMB revenue) | 23.29 | 20.67 | 17.03 |

*Notes:*

(1) Direct GHG emissions from sources controlled or owned by us, including fossil fuel combustion from both stationary and mobile sources, as well as refrigerant gas leaks, are categorized as Scope 1 emissions.

(2) Scope 2 emissions are indirect and primarily arise from the consumption of purchased electricity.

In 2023, our GHG emission intensity as well as electricity and water usage intensities were 26.60 $tCO_2e$ per million RMB of revenue, 10,539.84 kWh and 349.17 $m^3$ per million RMB of revenue, respectively, which were lower than the peer average of 28.38 $tCO_2e$ per million RMB, 24,834.82 kWh and 645.23 $m^3$ per million RMB of revenue, respectively.

***Targets***

We have established environmental goals aimed at maintaining or reducing GHG emissions, electricity consumption and water consumption. Our ESG goals are as follows:

**GHG emissions:** Reduce total GHG emission intensity by 10% within 10 years, with 2024 as the base year.

**Energy efficiency:** Reduce total electricity consumption intensity by 10% within 10 years, with 2024 as the base year.

**Water efficiency:** Reduce total water consumption intensity by 10% within 10 years, with 2024 as the base year.

***Climate Change***

The Board holds full responsibility for overseeing climate-related management. We prioritize climate change management and are fully aware of the physical risks posed by shifting climate patterns and extreme weather events, as well as the transition risks associated with the move towards a low-carbon economy. To address these challenges, we have identified and evaluated climate risks and opportunities across short-term (within three years), medium-term (three to ten years) and long-term (over ten years) horizons. Our risk management strategies are aligned with these assessments, which are detailed in the following sections.

The following table sets forth the main physical risks identified and our response measures:

| Risk type | Potential risks (timeframe; risk level) | Potential impacts on business, strategy and finance | Response measures |
|---|---|---|---|
| Acute physical risk | Flood/ Cyclone (short term; low risk) | • Extreme weather poses risks to green plum growth, potentially causing supply shortages and higher costs.<br>• Food supply chain disruptions and damage may drive up costs.<br>• Adverse weather may hinder employee commuting, disrupting operations.<br>• Buildings, equipment, and assets are at risk of weather-related damage. | • Maintain orchard drainage by cleaning ditches regularly to ensure adequate capacity.<br>• Broaden the product range to minimize the impact of green plum yield fluctuations on operations.<br>• Regulate raw material supply processes and establish related policies to ensure food safety.<br>• Develop safety measures and emergency plans to protect employees.<br>• Diversify the sources of supply chain to strengthen resilience.<br>• Build on higher ground and adhere to strict construction standards. |
| Chronic physical risk | Extreme temperature (long term; low risk) | • Warm winters reduce green plum yields, which may affect the supply of plum.<br>• Infrastructure may face damage or reduced lifespan due to extreme heat. | • Use artificial pollination to reduce the effects of extreme temperatures on yields.<br>• Install energy-efficient cooling systems to maintain infrastructure temperatures. |
| | Water scarcity (long term; low risk) | • Winter drought may threaten green plum yields, which may affect the supply of plum.<br>• Climate change worsens water scarcity, which may affect supply and increase cost. | • Use manual irrigation to combat the impact of drought on yields.<br>• Implement water-saving measures to reduce usage, manage costs, and address water shortages. |

The following table sets forth the main transition risks identified and our response measures:

| Risk type (timeframe; risk level) | Potential impacts on business, strategy and finance | Response measures |
|---|---|---|
| Policy and regulatory risk (medium to long term; low risk) | • With stricter global climate regulations, we need to comply with more rigorous climate related guidelines.<br>• Noncompliance with regulations may affect business operations. | • Monitor policy and regulatory changes, ensure compliance, and mitigate risks.<br>• Incorporate environmental factors into the Company's long-term planning. |
| Technological risk (medium to long term; medium risk) | • Implementing low-carbon upgrades may increase costs. | • Upgrade to low-carbon technologies, such as green factories to improve energy efficiency and reduce costs. |
| Reputational risk (medium to long term; low risk) | • Investors and stakeholders demand transparency in climate-related information, and delays or incomplete disclosures may impact financing. | • Increase transparency through enhanced climate information disclosure. |
| Market risk (medium to long term; low risk) | • Customers prioritize sustainability and favor low-carbon businesses; failure to adjust strategies could lead to a loss of market share. | • Develop sustainable strategies, strengthen environmental governance, and boost eco-investment to meet customer expectations. |

**Society**

We strictly comply with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Law of the People's Republic of China on Labor Contracts (《中華人民共和國勞動合同法》) and other labor-related laws and regulations. We recruit employees in accordance with the principles of openness, transparency, equal competition and merit-based selection as stipulated in our employee handbook. As of December 31, 2024, we had a total of 2,134 employees, with 46% being male and 54% female.

New employees must pass our verification of educational qualification, professional experience and other relevant information, after which we sign a formal employment contract specifying the rights and obligations of both parties and other necessary information. We prohibit child and forced labor.

### *Employee Training and Development*

We consider our employees as our most valuable assets. We have developed a variety of training platforms to support their development, such as new employee programs, job skills training, managerial skills enhancement, qualification training and on-the-job academic training. Our training and development department conducts annual surveys to assess training needs in accordance with our training management measures. We engage internal and external lecturers to deliver training sessions. Our employees are required to undergo regular evaluations and assessments. We have also established the "Liuliumei Business School" (溜溜果園商學院) to cultivate talents and provide internal consulting services, as well as to conduct training for suppliers and franchisees externally.

We have also established monthly, semi-annual and annual performance appraisal systems. The semi-annual and annual appraisals are evaluated and rated based on work performance and job performance, and are used as an important reference index for salary adjustment and promotion. We offer two career paths for our employees, administrative and professional. The promotion process begins at the start of each fiscal year to encourage continuous improvement among our employees.

### *Employee Remuneration and Benefits*

Each year, we establish an incentive-based remuneration system, taking into account factors such as our operating conditions, industry standards and the performance and capabilities of our employees. We have developed and implemented the employee welfare management measures, which outline the various benefits provided to our employees.

### *Occupational Health and Safety*

To enhance safety management and prevent the occurrence of safety incidents, we have implemented several policies in accordance with applicable laws and regulations, including the safety management measures, the fire operation safety management standards, the special equipment management measures and the work safety training guidelines.

We have introduced several initiatives, including mandatory safety training for employees in production and operation units to familiarize them with relevant safety rules and procedures. Employees who have not successfully completed this training are not permitted to commence work. Additionally, we conduct safety risk assessments and hazard identification, develop measures for significant hazards, establish safety operating procedures for each position, and enhance employees' awareness of safe production practices to improve overall health and safety management.

We believe that safety production inspection is a crucial aspect of safety production management. Our production safety inspection management measures stipulates that we conduct safety production inspections to assess on-site safety conditions and ensure the safe and reliable operation of equipment. Our inspections are categorized into regular, frequent, seasonal and specialized inspections, and we also classify accident hazards to enhance safety management and prevent accidents. We have also established an accident recording and handling system, with designated employees responsible for managing records related to health and safety compliance.

## PROPERTIES

Our headquarters office is located in Wuhu, Anhui Province, the PRC. We own and lease properties in China. As of the Latest Practicable Date, all of our production plants were located in China.

As of December 31, 2024, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

### Owned Properties

As of the Latest Practicable Date, we owned 20 properties in China with an aggregate floor area of 284,753.3 sq.m. for which we obtained the relevant title certificates, which were primarily used for production and office purposes.

As of the Latest Practicable Date, we also obtained the land use right for 29 parcels of land with a site area of 736,256.1 sq.m. for which we obtained the relevant title certificates, which were primarily used for production purpose. As of the same date, we also obtained the contracted management right (承包經營權) for one parcel of collectively-owned land (集體土地) with a site area of 272.00 mu. In addition, on January 15, 2025, we entered into a state-owned construction land use right assignment agreement (國有建設用地使用權出讓合同) with the local government authority, pursuant to which we are entitled to the land use right to a parcel of land located in Wuhu, Anhui, with a site area of 12,003.91 sq.m. upon full payment. As of the Latest Practicable Date, we had made full payment and obtained the land use right for this parcel of land and was in the progress of obtaining relevant title certificates.

As of the Latest Practicable Date, we were not able to obtain the relevant title certificates for certain owned properties situated on two parcels of land for which we had land use right, which were mainly used as sun-drying facilities for the drying process of our raw materials. The floor area of these properties accounted for approximately 3% of our total owned properties as of the Latest Practicable Date. We acquired the land with such buildings that lacked the title certificates at the time, due to incomplete regulatory procedures, as a result of which these properties do not have the necessary construction approval procedures to obtain title certificates. As advised by the PRC Legal Advisor, the relevant competent authorities may order the construction entity to demolish the buildings or structures, and confiscate the buildings or structures or any income illegally earned from such buildings or structures; and/or impose a fine of not more than 10% of the construction cost. Considering that (i) the area of these properties represented an insignificant portion of the total area of our properties as of the Latest Practicable Date; and (ii) there is available aternative properties of similar usage for lease, the Directors are of the view that even if demolition were ordered, it would not have a material adverse impact on our business, financial conditions and results of operations.

In addition, we commenced the production at our plum processing facilities for sun-drying and pickling in Guangxi without completing the filing of the inspection and acceptance check (竣工驗收備案) with relevant authorities. In Fujian, we began utilizing a building for employee dormitory and cafeteria purposes prior to completing the filing of final inspection and acceptance check with relevant authorities. See "— Licenses, Approvals and Permits — Non-compliance — Incomplete Acceptance Check for Guangxi Plum Processing Facility" and "— Licenses, Approvals and Permits — Non-compliance — Incomplete Acceptance Check for Fujian Employee Dormitory," respectively.

**Leased Properties**

As of the Latest Practicable Date, we leased 24 properties in China with an aggregate floor area of 8,358.20 sq.m., which were primarily used for office and warehousing purposes.

Pursuant to the applicable laws and regulations in China, property lease agreements for leased buildings must be registered with the relevant real estate administration bureaus in China. As of the Latest Practicable Date, we had not registered the lease agreements for all 24 of our leased properties with the relevant competent authorities in accordance with applicable laws and regulations in China. Our PRC Legal Advisor advised us that the lack of registration does not affect the validity and enforceability of the lease agreements, but we may be subject to fines from RMB1,000 to RMB10,000 for each such lease agreement for failure to register.

As of the Latest Practicable Date, lessors of three out of our 24 leased properties with an aggregate gross floor area of 279.42 sq.m. failed to provide us their property ownership certificates or proof of authorizations from the property owners. Additionally, as of the same date, the actual use of eight out of our 24 leased properties with an aggregate gross floor area of 1,065.37 sq.m. did not fit into the prescribed scope of usage shown on the relevant certificates. As advised by our PRC Legal Advisor, for the leased properties that were subject to title defects or with inconsistent usage, the property owners and the relevant lessors shall take the responsibility to obtain valid title certificates and ensure the actual usage complies with the prescribed usage of the properties. As the tenants, we would not be subject to any administrative penalties pursuant to the relevant laws and regulations. However, if any of these leases is terminated as a result of challenges by third parties, we may not be able to continue to use the properties. Nevertheless, considering these properties' uses, we believe there is a sufficient supply of similar properties and do not expect any material adverse effect on our business due to these potential terminations and the potential costs of relocation would not have a material adverse effect on our daily operation.

## LICENSES, APPROVALS AND PERMITS

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to obtain various licenses and regulatory approvals to operate our business. See "Regulatory Overview."

As of the Latest Practicable Date, save as disclosed below, we obtained all necessary licenses that are material to our business operations from the relevant government authorities and such licenses are valid and subsisting. Our Directors do not expect any impediment in the renewal of our licenses.

### Non-compliance

***Incomplete Acceptance Check for the Plum Processing Facility in Daxin, Guangxi***

We commenced the production at our plum processing facility in Guangxi without completing the filing of the inspection and acceptance check (竣工驗收備案) and other required procedures with relevant authorities because we are still in the process of constructing other ancillary facilities on the same site. We expect to complete the construction of the ancillary facilities in the second half of 2025. This facility was estimated to account for approximately 4% of our total owned properties as of the Latest Practicable Date. According to Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》), for construction projects that have not completed acceptance check and are delivered for use without authorization, the competent relevant competent authorities shall order rectification and impose a fine of not less than 2% and not more than 4% of the contract price of the project. We put these facilities into operation, which are mainly used for the certain steps of the preliminary processing of our dried plum snacks, including pickling and sun-drying. We then transfer these work-in-progress to our production plants for producing the finished goods. We have conducted interviews with relevant competent authorities, which confirmed that they will not order us to suspend our current operations and production on the facility, and will not impose administrative penalties on us for the failure to complete the acceptance check and other required procedures. The relevant competent authorities further confirmed in the interview that there is no material impediment for us to complete the acceptance check and other required procedures once we finish the construction of the ancillary facilities on the same site.

According to the Certificate issued by the relevant competent authority, this plum processing facility is a project formally accepted by our Bureau for filing and supervision. Since the commencement of its construction, there has been no administrative penalty imposed for any violation of housing construction or building engineering management laws, regulations, or normative documents, and no quality or safety accidents have occurred. Furthermore, the Certificate confirms that we do not have any potential or ongoing disputes, controversies, or lawsuits with Bureau concerning housing construction or building engineering of this facility, nor are there any records of complaints or any other forms of claims regarding this facility.

Based on the foregoing, our PRC Legal Advisor believes that the risk of us being ordered to cease the operations and production at the processing facility or being imposed of administrative penalties is low. In addition, due to the abundance of similar facilities in our operating region, we can readily identify and relocate to alternative preliminary processing facilities. As a result, we do not expect that our business, financial position or results of operations will be subject to material adverse impact due to the relocation.

***Incomplete Acceptance Check for Environmental Protection Facilities for the Plum Processing Facility in Guangxi***

As of the Latest Practicable Date, we are preparing the application for the acceptance check of the Completed Environmental Protection Facilities for the same plum processing facility in Guangxi. According to Article 23 of the Regulations on Environmental Protection of Construction Projects ("建設項目環境保護管理條例"), where a construction project is put into production or use without constructing required environmental protection facilities, completing the environmental protection acceptance check, or failing the acceptance check, the environmental protection administrative department at the county level or above shall order the entity who owns the project to rectify within a specified time period and impose fines ranging from RMB200,000 to RMB1,000,000. If the entity fails to rectify within the given time frame, fines ranging from RMB1,000,000 to RMB2,000,000 million shall be imposed, and fines ranging RMB50,000 to RMB200,000 shall be levied on the person in charge and other responsible individuals. In cases of severe environmental pollution, the entity may be ordered to cease protection or use of the project, or, upon approval from the relevant government authority, be ordered to shut down the project.

Based on the Environmental Impact Assessment ("**EIA**") approval issued by the Daxin County Ecology and Environmental Bureau, our Guangxi production facility must process wastewater at our on-site facility before discharging it to the Taocheng Town Industrial Park's ("**Industrial Park**") sewer network and wastewater processing plant. Since the Industrial Park's wastewater processing facilities are not yet operational, the Bureau approved our phased environmental protection measures in December 2024. This approval allows our facility to temporarily store wastewater on-site and implement measures such as optimizing production methods and reducing wastewater generation until the Industrial Park's plant becomes operational. Once the Industrial Park's plant begins operations, we will complete our wastewater processing facilities and obtain the environmental protection acceptance check.

According to our PRC Legal Advisor, subject to our compliance with the approved phased environmental protection measures, we are allowed to continue our operational activities at the production facility in Guangxi, and the risk of us being subject to any material administrative penalties by relevant governmental authorities before completing the acceptance check is low. In addition, we are in the process of constructing the required environmental protection facilities. According to our PRC Legal Advisor, upon the construction completion of our required environmental protection facilities and the construction completion of the Industrial Park's wastewater processing plant, there is no material legal impediment for us to complete the required acceptance check.

### *Incomplete Acceptance Check for Employee Dormitory in Fujian*

In Fujian, we began utilizing a building for employee dormitory and cafeteria purposes prior to completing the filing of the inspection and acceptance check with relevant authorities. This building is being used in a limited capacity before we complete construction of other ancillary facilities on the same site. We expect to complete the construction of these ancillary facilities on the same site. According to the Regulations on the Administration of Quality of Construction Work, the relevant competent authorities may order us to rectify and impose fines on us. According to our PRC Legal Advisor, we were not imposed any penalties by the authorities, and there are no legal impediments for us to complete the acceptance check once we complete the construction of our ancillary facilities.

In the unlikely event that we are required to cease using the building, we expect that we can provide suitable alternative accommodation options to our employees at a relatively low cost. As a result, we do not expect that our business, financial position or results of operations will be subject to material adverse impact due to the failure to complete the acceptance check for this building.

## LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business involving employment, copyrights, contract disputes and other matters. See "Risk Factors — Risks Relating to Our Business and Industry — We may be involved in legal proceedings and disputes, which could materially and adversely affect our reputation, business, results of operations and financial condition" and "Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to evolving laws and regulations in the PRC. Any noncompliance with various laws and regulations in our operations may subject us to fines and penalties by the governmental authorities."

Our Directors, as advised by our PRC Legal Advisor, confirm that during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral, administrative proceedings or noncompliance incidents that led to fines, enforcement actions or other penalties, which could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

## RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations and financial reporting. Our Board of Directors is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiary and functional department.

**Legal and Compliance Risk Management**

We provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations and include relevant policies against noncompliance in employee handbooks. We require our suppliers and distributors to commit in written agreement to abstain from noncompliance, suspicious transactions, fraud, corruption, or bribery, which expressly forbids our suppliers, distributors, and employees from making unauthorized payments, including bribes, kickbacks, or any other illicit benefits, to one another.

In addition, we adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure.

**Anti-Bribery and Anti-Corruption**

To maintain the integrity of our employees and to prevent bribery and corruption, we strictly adhere to relevant anti-bribery and anti-corruption laws and regulations and have established the Anti-corruption, anti-money laundering and economic sanctions regime (反腐敗、反洗錢及經濟制裁制度). It outlines measures for identifying and reporting suspicious activities, managing customer risks, and maintaining a transparent and compliant business environment.

We have established a comprehensive framework that encompasses several key areas. Our policy promotes awareness and training by conducting ongoing education for both customers and employees on the legal obligations, risks, and consequences associated with anti-corruption, AML, and sanctions. Annual training programs are designed to enhance awareness and operational skills, ensuring that all employees are well-informed and capable of identifying and preventing illicit activities.

**Financial Reporting Risk Management**

We have established an Audit Committee to review and monitor our financial reporting procedures, including, among others: (i) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (ii) monitoring and evaluating our internal audit, and coordinating the communication between the internal auditor and the external auditor; (iii) reviewing financial information of the Company and its disclosure; (iv) monitoring and considering the adequacy of our internal control, financial reporting and risk management systems; and (v) other responsibilities authorized by the Board or required under the relevant laws and regulations. See "Directors, Supervisors and Senior Management — Board Committees — Audit Committee."

### Internal Control

To ensure strict compliance of our business operations with applicable rules and regulations, we have designed and adopted a set of comprehensive internal control policies. The implementation of such policies is overseen by our internal control team, which is also responsible for (i) performing group-level risk assessments, (ii) providing advice on risk management practice and (iii) establishing authorization and approval protocols.

## AWARDS AND RECOGNITIONS

Over the years, we have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition we have received are set forth below.

| Award/Recognition | Award Year | Awarding Institution/ Authority |
|---|---|---|
| Annual Jelly Good Food List | 2024 | Jiemian News |
| Superior Taste Award 1-Star Medal | 2023 | International Taste Institute |
| "Zhen Bu Chuo" Power Brand Award | 2023; 2024 | Weibo |
| the Brand of the Year for Marketing Influence | 2023 | Baidu |
| Gold Award for Influencer KOL Marketing | 2022 | Top Digital |
| FA Authentic Quality Certification | 2022 | National Center for Food Quality Supervision, Inspection and Testing |
| Chair Enterprise of National Plum Innovation Alliance | 2022 | National Forestry and Grassland Administration |
| "溜溜LIUM" ("Liuliu LIUM") China Well-Known Trademark | 2015 | State Administration for Market Regulation |

## FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

### Guarantees Provided by Mr. Yang and Ms. Li

Mr. Yang, our executive Director and a Controlling Shareholder, and Ms. Li, the spouse of Mr. Yang and a Controlling Shareholder, have provided guarantees for certain bank loans we obtained for financing our development and operations (the "**CS Guarantees**"). We expect the CS Guarantees to continue following the [REDACTED] until the repayment of the underlying bank loans that are subject to the CS Guarantees. For further details of the guarantee arrangement with Mr. Yang and Ms. Li, see "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence".

The CS Guarantees, being a form of financial assistance (as defined under the [REDACTED] Rules), are not secured by the assets of our Group. Our Directors are of the view that the CS Guarantees, provided by Mr. Yang and Ms. Li, are conducted on normal or better commercial terms and are in the interest of our Company and our Shareholders as a whole. Therefore, pursuant to Rule 14A.90 of the Listing Rules, the CS Guarantees will be fully exempted from the reporting, annual review, announcement, circular (including independent financial advice), and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## BOARD OF DIRECTORS

Our Board consists of five executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The following table sets forth certain information regarding our Directors:

| Name | Age | Position | Time of joining our Group | Date of appointment as Director | Major roles and duties | Relationship with Directors, Supervisors and other senior management |
|---|---|---|---|---|---|---|
| Mr. Yang Fan (楊帆) | 55 | Executive Director, chairman of the Board and chief executive officer | April 1999 | September 4, 2009 | Responsible for the overall business strategies and development of our Group | N/A |
| Mr. Ning Pengfei (寧鵬飛) | 48 | Executive Director, Board secretary and joint company secretary | May 2016 | March 10, 2017 | Responsible for the overall business operation and capital management of our Group | N/A |
| Ms. Hu Yan (胡燕) | 48 | Executive Director | May 2006 | March 29, 2016 | Responsible for the product research and development of our Group | N/A |
| Mr. Gou Bin (苟斌) | 48 | Executive Director and chief financial officer | December 2024 | January 15, 2025 | Responsible for the financial management of our Group | N/A |
| Mr. Mei Huixiang (梅惠祥) | 35 | Executive Director | October 2021 | January 15, 2025 | Responsible for the brand management of our Group | N/A |
| Mr. Xu Lianzheng (徐連政) | 50 | Non-executive Director | December 2019 | January 15, 2025 | Overseeing the general management of our Group | N/A |
| Mr. Liu Feng (劉峰) | 59 | Independent non-executive Director | January 2025 | January 15, 2025 | Supervising and providing independent opinion and judgement to our Board | N/A |
| Mr. Xiong Hui (熊輝) | 52 | Independent non-executive Director | January 2025 | January 15, 2025 | Supervising and providing independent opinion and judgement to our Board | N/A |
| Mr. Lu Jian (陸健) | 56 | Independent non-executive Director | March 2017 | January 15, 2025 | Supervising and providing independent opinion and judgement to our Board | N/A |

### Executive Directors

**Mr. Yang Fan (楊帆)**, aged 55, is our founder, chairman of the Board, executive Director and chief executive officer. Mr. Yang is primarily responsible for the overall business strategies and development of our Group. Mr. Yang is a member of the Remuneration and Appraisal Committee. Mr. Yang is a director and/or general manager of certain of our subsidiaries, including Fujian Liuliu, Zhaoan Liuliu, Anhui LIUM, Liuliu Research Institute, Zhongnongan Testing, Anhui Green Plum, Liuliu Sales, Liuliu New Retail, Guangxi Liuliu, Guangxi LIUM, Plum Jelly Tech, Anhui Liuliu and LIUM Biotech.

Mr. Yang has also been serving as an executive director of Jurun Investment since January 2015, an executive director of Anhui Facai Network E-commerce Co., Ltd.* (安徽發菜網電子商務有限公司) since January 2015 and a supervisor of Hefei Tianxun Information Technology Co., Ltd. (合肥天迅信息技術有限公司) since October 2024.

Since founding our Group, Mr. Yang has received numerous accolades, including the 12th China Industry Forum Top Ten Outstanding Young Entrepreneurs of China Industry* (第十二屆中國工業論壇中國工業十大傑出青年企業家), 2019 Outstanding Private Entrepreneurs* (2019年度優秀民營企業家) awarded by Wuhu Municipal Enterprise Confederation (蕪湖市企業聯合會), Pioneer in the Bakery and Confectionery Industry on the 40th Anniversary of China's Reform and Opening-Up* (中國改革開放40周年焙烤食品糖製品產業先鋒人物), Advanced Individuals in Science and Technology Innovation of Light Industry in the 13th Five-Year Plan* (「十三五」輕工行業科技創新先進個人) awarded by China Light Industry Federation* (中國輕工業聯合會) in September 2021 and 2020 Outstanding Private Entrepreneurs in Anhui Province* (2020年度安徽省優秀民營企業家) awarded jointly by the CPC Anhui Province Committee* (中國共產黨安徽省委員會) and the People's Government of Anhui Province* (安徽省人民政府) in April 2021. Mr. Yang is also a member of the Anhui Province People's Congress (安徽省人民代表大會代表), and a member of Anhui Wuhu Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議安徽省蕪湖市委員會) since January 2018.

Mr. Yang was admitted to the Science and Innovation EMBA program of the University of Science and Technology of China in September 2022. He also graduated from the Anhui Class of the EMBA President Training Program of Peking University in May 2015.

Mr. Yang was previously a director of the following companies, which were established in the PRC and were deregistered with the relevant laws and regulations:

| Company name | Position | Nature of business before deregistration | Date of deregistration | Reason of deregistration |
|---|---|---|---|---|
| Wuhu Kaixuan Investment Co., Ltd.* (蕪湖凱旋投資有限公司) | Executive director and general manager | No business has been commenced | January 15, 2016 | No actual business has been commenced |
| Beijing Zhongmao Kaixuan Food Co., Ltd.* (北京中貿凱旋食品有限公司) | Executive director and general manager | Food trading | January 19, 2017 | Cessation of business |
| Beijing Zhongankang Food Co., Ltd.* (北京中安康食品有限責任公司) | Executive director and general manager | Food trading | January 23, 2017 | Cessation of business |
| Zhangzhou Sanyuanhui Food Co., Ltd.* (漳州三緣惠食品有限公司) | Executive director | Food production and processing | December 30, 2022 | Business was merged into Zhaoan Liuliu |
| Wuhu Kailai Food Co., Ltd.* (蕪湖市凱萊食品有限公司) | Director | Food production and processing | December 3, 2015 | Business was acquired by Anhui Liuliu |

Mr. Yang confirmed that (i) the above companies were solvent immediately prior to their deregistration; (ii) there was no wrongful act on his part leading to the deregistration of the above companies and he was not aware of any actual or potential claim that had been or would be made against him as a result of such deregistration; and (iii) no misconduct or misfeasance had been involved in the deregistration of the above companies.

**Mr. Ning Pengfei (寧鵬飛)**, aged 48, is our executive Director, Board secretary and one of the joint company secretaries of our Company. He is responsible for the overall business operation and capital management of our Group. He also serves as the general manager of Anhui Green Plum and as the supervisor of Plum Jelly Tech.

Prior to joining our Group, he served successively as a customer manager and deputy branch manager at Wuhu Branch of Bank of Communications* (交通銀行蕪湖分行) from July 1998 to August 2007. He worked as the branch manager of the Economic and Technological Development Zone Branch of Wuhu Yangzi Rural Commercial Bank* (蕪湖揚子農村商業銀行經濟技術開發區支行) from July 2007 to May 2012. He served as the vice president and board secretary at Wuhu Changxin Technology Co., Ltd* (蕪湖長信科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300088) from May 2012 to April 2016.

Mr. Ning obtained his bachelor's degree in monetary economics from Anhui College of Finance and Trade (安徽財貿學院) (currently known as Anhui University of Finance & Economics (安徽財經大學)) in June 1998.

Mr. Ning was previously a director of the following companies, which were established in the PRC and were deregistered with the relevant laws and regulations:

| Company name | Position | Nature of business before deregistration | Date of deregistration | Reason of deregistration |
|---|---|---|---|---|
| Wuhu Xinyuan Property Services Co., Ltd.* (蕪湖馨園物業服務有限公司) | Executive director and general manager | Property management | January 22, 2019 | Cessation of business |
| Anhui Baowu Trading Co., Ltd.* (安徽省寶武商貿有限公司) | Executive director and general manager | Trading | October 9, 2024 | Cessation of business |

Mr. Ning confirmed that (i) the above companies were solvent immediately prior to their deregistration; (ii) there was no wrongful act on his part leading to the deregistration of the above companies and she was not aware of any actual or potential claim that had been or would be made against her as a result of such deregistration; and (iii) no misconduct or misfeasance had been involved in the deregistration of the above companies.

**Ms. Hu Yan (胡燕)**, aged 48, is our executive Director. She is responsible for the product research and development of our Group. Ms. Hu is a member of the Nomination Committee. She serves as a supervisor of Fujian Green Plum, Zhongnongan Testing, Anhui Liuliu and Anhui Green Plum. She also serves as a general manager of Liuliu Research Institute. Prior to joining our Group, she also worked at Anhui Liguang Science and Technology Co., Ltd.* (安徽麗光科技股份有限公司) and Wuhu Kailai Food Co., Ltd.* (蕪湖市凱萊食品有限公司).

Ms. Hu graduated from Anhui Normal University majoring in accounting in July 2003.

Ms. Hu was previously a director or supervisor of the following companies, which were established in the PRC and were deregistered with the relevant laws and regulations:

| Company name | Position | Nature of business before deregistration | Date of deregistration | Reason of deregistration |
|---|---|---|---|---|
| Wuhu Kaixuan Investment Co., Ltd.* (蕪湖凱旋投資有限公司) | Supervisor | No business has been commenced | January 15, 2016 | No actual business has been commenced |
| Wuhu Kailai Food Co., Ltd.* (蕪湖市凱萊食品有限公司) | Director | Food production and processing | December 3, 2015 | Business was merged into Anhui Liuliu |

Ms. Hu confirmed that (i) the above companies were solvent immediately prior to their deregistration; (ii) there was no wrongful act on her part leading to the deregistration of the above companies and she was not aware of any actual or potential claim that had been or would be made against her as a result of such deregistration; and (iii) no misconduct or misfeasance had been involved in the deregistration of the above companies.

**Mr. Gou Bin (苟斌)**, aged 48, is our executive Director and chief financial officer. He is responsible for the financial management of our Group.

Prior to joining our Group, Mr. Gou was employed at Chongqing Shengli Construction Machinery Group Co., Ltd.* (重慶昇立建設機械集團有限公司) from June 1997 to January 2002. Mr. Gou served at Chongqing Tingjin Food Co., Ltd.* (重慶頂津食品有限公司) (which is a subsidiary of Tingyi (Cayman Islands) Holding Corp. (康師傅控股有限公司), "**Tingyi**", a company listed on the Stock Exchange, stock code: 00322) from December 2001 to June 2020, with his last position being the head of finance and accounting department of the instant food business sector of Tingyi group. He also served as the head of financial support center of Shanghai Want Want Foods Group Co., Ltd.* (上海旺旺食品集團有限公司) (which is a subsidiary of Want Want China Holdings Limited, a company listed on the Stock Exchange, stock code: 00151) from June 2020 to November 2024.

Mr. Gou graduated from Chongqing Technology and Business University in January 2009 with his major in accounting.

**Mr. Mei Huixiang (梅惠祥)**, aged 35, is our executive Director. He is responsible for the overall brand management of our Group.

Prior to joining our Group, Mr. Mei served at the instant noodles business department of Tingyi (Cayman Islands) Holding Corp. (a company listed on the Stock Exchange, stock code: 0322) as a brand manager from July 2011 to November 2016, and as a brand director from January 2020 to March 2021.

Mr. Mei obtained a bachelor's degree in business administration from East China University of Science and Technology in July 2010.

Mr. Mei was previously a director or supervisor of the following companies, which were established in the PRC and were deregistered with the relevant laws and regulations:

| Company name | Position | Nature of business before deregistration | Date of deregistration | Reason of deregistration |
|---|---|---|---|---|
| Shanghai Zhihuo Catering Management Co., Ltd.* (上海炙鑊餐飲管理有限公司) | Director | Food and beverage service | November 19, 2019 | Cessation of business |
| Kunshan Yuyi Trading Co., Ltd.* (崑山昱奕貿易有限公司) | Supervisor | Trading | February 28, 2024 | Cessation of business |

Mr. Mei confirmed that (i) the above companies were solvent immediately prior to their deregistration; (ii) there was no wrongful act on his part leading to the deregistration of the above companies and he was not aware of any actual or potential claim that had been or would be made against him as a result of such deregistration; and (iii) no misconduct or misfeasance had been involved in the deregistration of the above companies.

**Non-executive Director**

**Mr. Xu Lianzheng** (徐連政), aged 50, is our non-executive Director. He is responsible for overseeing the general management of our Group. Mr. Xu is a member of the Audit Committee. Before being appointed as our non-executive Director, Mr. Xu served as our Supervisor from January 2020 to December 2024. Mr. Xu holds 3.05% equity interest in Shenzhen Junrong, one of our Pre-[REDACTED] Investors, as a limited partner. See "History, Development and Corporate Structure — Pre-[REDACTED] Investments — Information regarding our Pre-[REDACTED] Investors — Shenzhen Junrong".

Prior to joining our Group, Mr. Xu co-founded Shanghai Junzhi Enterprise Management Co., Ltd.* (上海君智企業管理諮詢有限公司) in March 2015 and served as the president from then to July 2022. He also founded Shanghai Yingzhengtong Enterprise Management Consulting Co., Ltd.* (上海贏政通企業管理諮詢有限公司) in July 2022.

Mr. Xu obtained a bachelor's degree in mechanical design and manufacturing from Hefei University of Technology in July 1999.

Mr. Xu was previously a director, partner, legal representative or supervisor of the following companies or limited partnerships, which were established in the PRC and were deregistered with the relevant laws and regulations:

| Company name | Position | Nature of business before deregistration | Date of deregistration | Reason of deregistration |
|---|---|---|---|---|
| Wuxi Yingzhengtong Enterprise Management Consulting Co., Ltd.* (無錫贏政通企業管理諮詢有限公司) | Director | Business services and consulting on corporate/ business strategy | October 11, 2023 | Cessation of business |
| Shanghai Junquan Culture Communication Co., Ltd.* (上海君泉文化傳播有限公司) | Director | Cultural and artistic services, and marketing strategy planning | July 22, 2024 | Cessation of business |
| Shenzhen Junzhi Industrial Partnership (Limited Partnership)* (深圳君智實業合夥企業(有限合夥)) | General partner | Investment management | September 25, 2020 | Investment exit |
| Shanghai Bojian Enterprise Management Partnership (Limited Partnership)* (上海博見企業管理合夥企業(有限合夥)) | Partner | Business Management Consulting | December 1, 2022 | Cessation of business |
| Beijing Junyou Media Planning Co., Ltd.* (北京君佑傳媒策劃有限公司) | Legal representative | Business services | October 30, 2018 | Cessation of business |
| Guangzhou Chenghuajiang Flower Co., Ltd.* (廣州程花匠花卉有限公司) | Director | Flower planting and sales | November 11, 2022 | Lack of future business prospects |
| Shanghai Daling Wallpaper Co., Ltd.* (上海搭令壁紙有限公司) | Supervisor | Paper and paper products business | February 4, 2024 | Cessation of business |

Mr. Xu confirmed that (i) the above companies or limited partnerships were solvent immediately prior to their deregistration; (ii) there was no wrongful act on his part leading to the deregistration of the above companies or limited partnerships and he was not aware of any actual or potential claim that had been or would be made against him as a result of such deregistration; and (iii) no misconduct or misfeasance had been involved in the deregistration of the above companies or limited partnerships.

**Independent Non-executive Directors**

**Mr. Liu Feng (劉峰)**, aged 59, is an independent non-executive Director of our Company. Mr. Liu is also the chairperson of the Audit Committee and the Remuneration and Appraisal Committee.

Mr. Liu has served as a faculty member and professor in highly-respected universities for more than three decades and has extensive knowledge of and experience in accounting and finance. He began his teaching career at Xiamen University in July 1987 and served there until December 1999, with his final position being a professor of the Department of Accounting. From January 2000 to August 2010, he taught in the Department of Accounting at the School of Management, Sun Yat-sen University. Since September 2010, he has been teaching in the Department of Accounting at Xiamen University. He also currently serves as the editor-in-chief of Contemporary Accounting Review (當代會計評論).

From October 2019 to October 2022, Mr. Liu was the independent director of Shanghai Rongtai Health Technology Corporation Limited* (上海榮泰健康科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603579). Mr. Liu has been serving as an independent director of Ping An Bank Co., Ltd.* (平安銀行股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000001) since April 2023, an independent director of Xiamen ITG Group Corp., Ltd.* (廈門國貿集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600755) since May 2020, and an independent director of Fujian Aonong Biological Technology Group Incorporation Limited* (福建傲農生物科技集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603363) since October 2021. He currently also serves as an independent director of Luckin Coffee Inc. (a company quoted on OTC Markets, stock code: LKNCY).

Mr. Liu obtained a bachelor's degree in accounting from the Xiamen University in July 1987 and a PhD degree in accounting from the Xiamen University in October 1994.

**Mr. Xiong Hui (熊輝)**, aged 52, is an independent non-executive Director of our Company. Mr. Xiong is also a member of the Remuneration and Appraisal Committee and the Nomination Committee.

Mr. Xiong has many years of academic experience and possesses extensive knowledge of computer science and engineering. Mr. Xiong has been serving as a distinguished guest professor (grand master chair professor) at University of Science and Technology of China since September 2016, a chair professor and the acting head of the thrust of artificial intelligence at The Hong Kong University of Science and Technology (Guangzhou) since July 2021 and an associate vice president for knowledge transfer thereof since April 2023. Mr. Xiong has been a faculty member at Rutgers, The State University of New Jersey since 2005, and has been a Distinguished Professor since April 2021.

Mr. Xiong has been serving as an independent director of Chase Science Co., Ltd.* (福建創識科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300941) since May 2019, an independent director of Digital China Group Co., Ltd.* (神州數碼集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000034) since May 2022, and an independent director of Guangdong Insight Brand Marketing Group Co., Ltd.* (廣東因賽品牌營銷集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300781) since May 2024. From April 2017 to April 2023, Mr. Xiong was an independent director of Beijing Bewinner Communications Co., Ltd.* (北京北緯通信科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002148).

Mr. Xiong obtained a doctoral degree in computer science from the University of Minnesota, United States in August 2005, a master of science from the National University of Singapore in August 2000 and a bachelor's degree in automation from the University of Science and Technology of China in July 1995. Mr. Xiong is a fellow of the Institute of Electrical and Electronics Engineers and a fellow of the American Association for the Advancement of Science.

**Mr. Lu Jian (陸健)**, aged 56, is an independent non-executive Director of our Company. He is also the chairperson of the Nomination Committee and a member of the Audit Committee. Mr. Lu was our independent Director from March 2017 to February 2022, and re-joined our Company as independent non-executive Director in January 2025.

Mr. Lu has over 30 years of experience in fermentation engineering. He was an assistant lecturer at Nanjing Agricultural University* (南京農業大學) from April 1992 to August 1993, and has served successively as lecturer, associate professor, and professor at Jiangnan University since September 1993. Since January 2018, he has served as the secretary general of the Beer Raw Material Professional Committee of the China Alcoholic Drinks Association* (中國酒業協會啤酒原料專業委員會). Since September 2018, he has also served as the deputy head of the Food Biotechnology Research Institute at Jiangnan University (Rugao)* (江南大學(如皋)食品生物技術研究所). Mr. Lu has been serving as an independent director of Gdh Supertime Group Company Limited* (粵海永順泰集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 001338) since October 2023.

Mr. Lu obtained his bachelor's degree in July 1989, master's degree in December 1991 and his doctorate in June 2022 in fermentation engineering (發酵工程) from Wuxi University of Light Industry* (無錫輕工業學院) (which has been reformed into Jiangnan University in 2001).

## SUPERVISORS

Our Supervisory Committee consists of three Supervisors. Our Supervisors are appointed for a term of three years and are eligible for re-election. The functions and duties of our Supervisory Committee include, but are not limited to supervising the Board and senior management and reviewing the financial performance of the Company. The following table sets forth certain information regarding our Supervisors:

| Name | Age | Position | Time of joining our Group | Date of appointment as Supervisor | Major roles and duties | Relationship with Directors, Supervisors and other senior management |
|---|---|---|---|---|---|---|
| Mr. Hu Xiang (胡翔) | 34 | Supervisor | January 2025 | January 15, 2025 | Supervising the performance of duties of our Directors and members of the senior management of our Group | N/A |
| Mr. Li Bing (李兵) | 33 | Supervisor | January 2025 | January 15, 2025 | Supervising the performance of duties of our Directors and members of the senior management of our Group | N/A |
| Ms. Zhang Wenxia (張文霞) | 39 | Supervisor | November 2010 | January 14, 2020 | Supervising the performance of duties of our Directors and members of the senior management of our Group | N/A |

**Mr. Hu Xiang (胡翔)**, aged 34, was appointed as our Supervisor since January 2025. He is responsible for supervising the performance of duties of our Directors and members of the senior management of our Group.

Mr. Hu has been serving as the general manager at Shanghai Nuoxiang since August 2016. Mr. Hu and his father holds 20% and 40% interests respectively in Shanghai Nuoxiang, which is the general partner of Nuoxiang Jinhong and Nuoxiang Dongchen, one of our Pre-[REDACTED] Investors. See "History, Development and Corporate Structure — Pre-[REDACTED] Investments — Information regarding our Pre-[REDACTED] Investors — Nuoxiang Jinhong and Nuoxiang Dongchen".

Mr. Hu obtained a bachelor's degree in finance from Hunan Agricultural University in June 2014.

Mr. Hu was a director of Shanghai Xingyue Network Technology Development Co., Ltd.* (上海興岳網絡科技發展有限公司), a company established in the PRC principally engaged in internet related business, which was deregistered on August 22, 2023 due to cessation of business. Mr. Hu confirmed that (i) the above company was solvent immediately prior to their deregistration; (ii) there was no wrongful act on his part leading to the deregistration of the above company and he was not aware of any actual or potential claim that had been or would be made against him as a result of such deregistration; and (iii) no misconduct or misfeasance had been involved in the deregistration of the above company.

**Mr. Li Bing (李兵)**, aged 33, was appointed as our Supervisor since January 2025. Mr. Li is responsible for supervising the performance of duties of our Directors and members of the senior management of our Group.

Prior to joining our Group, Mr. Li served at Nanjing Zhuoyuan Asset Management Co., Ltd.* (南京卓遠資產管理有限公司) from April 2020 to June 2022, and an investment manager at Feixi County Chancheng Investment Holding (Group) Co., Ltd.* (肥西縣產城投資控股(集團)有限公司) from June 2022 to November 2024. Mr. Li has been serving as the supervisor of Xingnong Fund, one of our Pre-[REDACTED] Investors, since February 2025.

Mr. Li obtained a bachelor's degree in computer science and technology from Anhui University of Finance and Economics in July 2014.

**Ms. Zhang Wenxia (張文霞)**, aged 39, was appointed as our Supervisor in January 2020. Ms. Zhang is responsible for supervising the performance of duties of our Directors and members of the senior management of our Group.

From January 2010 to August 2010, Ms. Zhang served as the head of the purchase department of Tianjin Cheng Tian Feng Co., Ltd.* (天津誠田豐金屬製品有限公司). Since she joined our Group in November 2010, Ms. Zhang served successively as a planner, workshop director and deputy factory manager of our Wuhu Plant from November 2010 to May 2019. She has served as the factory manager of our Anhui Plant since May 2019.

Ms. Zhang graduated from Huangshan College* (黃山學院) in July 2005 with a major in tourism service.

## OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SUPERVISORS

Save as disclosed above and in "Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders", each of our Directors and Supervisors has confirmed with respect to himself/herself that he/she (i) did not hold other long positions or short positions in the shares, underlying shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) had no other relationship with any Directors, Supervisors, senior management, substantial Shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iv) there are no other matters concerning our Directors' and Supervisors' appointments that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

## SENIOR MANAGEMENT

The following table sets forth certain information regarding our senior management:

| Name | Age | Position(s) in our Group | Date of joining our Group | Major roles and duties | Relationship with Directors, Supervisors and other senior management |
|---|---|---|---|---|---|
| Mr. Yang Fan (楊帆) | 55 | Executive Director, chairman of the Board and chief executive officer | April 1999 | Responsible for the overall business strategies and development of our Group | N/A |
| Mr. Gou Bin (苟斌) | 48 | Executive Director and chief financial officer | December 2024 | Responsible for the financial management of our Group | N/A |
| Mr. Ning Pengfei (寧鵬飛) | 48 | Executive Director, Board secretary and joint company secretary | May 2016 | Responsible for the business operation and capital operation of our Group | N/A |
| Mr. Chen Jie (陳杰) | 38 | Supply chain centre director | July 2024 | Responsible for overseeing and the management of the supply chain centre of our Group | N/A |
| Mr. Zhang Shuai (張帥) | 47 | Vice president of new retail department | April 2020 | Responsible for overseeing the key accounts in our new retail business | N/A |
| Mr. Lu Jianlong (盧建龍) | 42 | Director of Liuliu Research Institute | November 2024 | Responsible for overseeing the research and development of our Group | N/A |

**Mr. Yang Fan (楊帆)**, aged 55, is our founder, chairman of the Board, executive Director and chief executive officer. See "— Board of Directors — Executive Directors" for his biographical details.

**Mr. Gou Bin (苟斌)**, aged 48, is our executive Director and chief financial officer. See "— Board of Directors — Executive Directors" for his biographical details.

**Mr. Ning Pengfei (寧鵬飛)**, aged 48, is our executive Director, Board secretary and one of the joint company secretaries of our Company. See "— Board of Directors — Executive Directors" for his biographical details.

**Mr. Chen Jie (陳杰)**, aged 38, is the supply chain centre director of our Company. Mr. Chen is responsible for overseeing and the management of the supply chain centre of our Group.

From December 2019 to June 2022, Mr. Chen served as a device manager of the supply chain center of PepsiCo (China) Investment Co., Ltd.* (百事(中國)投資有限公司) (currently known as Master Kong PBB Investment Co., Ltd* (康師傅百飲投資有限公司)). Starting from August 2022, Mr. Chen served as a management member of the liquid milk department of Inner Mongolia Yili Industrial Group Company Limited (內蒙古伊利實業集團股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600887).

Mr. Chen obtained a bachelor's degree in food science and engineering from Dalian Polytechnic University in July 2010.

**Mr. Zhang Shuai (張帥)**, aged 47, has served as the vice president of new retail department of our Company since April 2023. Mr. Zhang is responsible for overseeing the key accounts in our new retail business.

Mr. Zhang joined our Group in April 2020, where he served as the North regional vice president from April 2020 to April 2023.

Mr. Zhang graduated from Beijing University of Posts and Telecommunications with a major in business administration through online learning in July 2022.

**Mr. Lu Jianlong (盧建龍)**, aged 42, is the head of Liuliu Research Institute. Mr. Lu is responsible for overseeing the research and development of our Group.

Mr. Lu served as a process quality control officer at Hangzhou Tingjin Food Co., Ltd. (杭州頂津食品有限公司), a subsidiary of Tingyi, from July 2006 to June 2008. Mr. Lu served as a research and development engineer at Hangzhou Boduo Industry and Trade Co., Ltd.* (杭州博多工貿有限公司) from June 2008 to May 2012, a research and development manager at Wenzhou Jiayuan Food Co., Ltd.* (溫州市佳源食品有限公司) from June 2012 to October 2015 and the general manager of the research and development center of Guangzhou Linghang Food Co., Ltd.* (廣州市領航食品有限公司) from October 2015 to November 2024.

Mr. Lu obtained a postgraduate diploma in corporate coaching and leadership development from Hong Kong University in September 2022 and a bachelor's degree in food science and engineering from Anhui Polytechnic College* (安徽工程科技學院) (currently known as Anhui Polytechnic University* (安徽工程大學)) in July 2006.

## JOINT COMPANY SECRETARIES

**Mr. Ning Pengfei (寧鵬飛)**, aged 48, is our executive Director, Board secretary and one of the joint company secretaries of our Company. See "— Board of Directors — Executive Directors" for his biographical details.

**Ms. Au Wai Ching (區慧晶)** is one of the joint company secretaries of our Company and was appointed on January 15, 2025.

Ms. Au joined SWCS Corporate Services Group (Hong Kong) Limited, a corporate service provider, in January 2016, and currently serves as a senior manager in corporate services. She is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She obtained a bachelor's degree in business administration and a master's degree in professional accounting and corporate governance from the City University of Hong Kong in July 2012 and July 2016, respectively.

## CONFIRMATION FROM OUR DIRECTORS

### Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in April 2025, and (ii) understands his or her obligations as a director of a [REDACTED] issuer under the Listing Rules.

### Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointment.

## DISCLOSURE UNDER RULE 8.10(2) OF THE LISTING RULES

As of the Latest Practicable Date, none of our Directors had interests in any business, which competes directly or indirectly with our business for the purpose of Rule 8.10(2) of the Listing Rules.

## BOARD COMMITTEES

Our Company has established three board committees, namely the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee, in accordance with the relevant PRC laws and regulations and corporate governance practices under the Listing Rules.

### Audit Committee

The Audit Committee of our Company consists of three Directors, including Mr. Liu Feng, Mr. Xu Lianzheng and Mr. Lu Jian. Mr. Liu Feng is the chairperson of Audit Committee and is a director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary responsibilities of the Audit Committee are to review and monitor our financial reporting procedures, including (among other things):

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- monitoring and evaluating our internal audit, and coordinating the communication between the internal auditor and the external auditor;
- reviewing financial information of the Company and its disclosure;
- monitoring and considering the adequacy of our internal control, financial reporting and risk management systems; and
- other responsibilities authorized by the Board or required under the relevant laws and regulations.

### Nomination Committee

The Nomination Committee of our Company consists of three directors, including Mr. Lu Jian, Mr. Xiong Hui and Ms. Hu Yan. Mr. Lu Jian is the chairperson of the Nomination Committee. The primary responsibilities of the Nomination Committee include (among other things):

- to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board on an annual basis and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy;
- to identify individuals and make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management;
- to assess the independence of independent non-executive Directors; and
- to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors.

### Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of our Company consists of three Directors, including Mr. Liu Feng, Mr. Xiong Hui and Mr. Yang Fan. Mr. Liu Feng is the chairperson of the Remuneration and Appraisal Committee. The primary responsibilities of the Remuneration and Appraisal Committee include (among other things):

- to make recommendations to the Board on our Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration of Directors and senior management of our Company;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to oversee the implementation of remuneration system for Directors and senior management; and
- to consider and implement other matters, as defined or assigned by the Board or otherwise required by the Listing Rules from time to time.

## CORPORATE GOVERNANCE

Our Company recognizes the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability.

Pursuant to C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yang is currently the chairman of the Board and the chief executive officer of our Company. He is the founder of our Group and has been operating and managing our Group since its establishment. The Board believes that Mr. Yang has been valuable to the growth and business expansion of the Group. The Board is of the view that the vesting the roles of the chairman of the Board and chief executive officer on Mr. Yang is beneficial to the management and continued growth of our Group and therefore currently does not propose to separate the roles of chairman of the Board and chief executive officer.

While this will constitute a deviation from Code Provision C.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that:

(i) the Directors undertake to fulfill their fiduciary duties as Directors which require that they act for the benefit and in the best interest of the Company;

(ii) there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the Directors; and

(iii) the Board consists of three independent non-executive Directors which is in compliance with the Listing Rules.

Save as disclosed above, our Company will comply with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after [REDACTED]. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year.

## BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") setting out the approach to achieve and maintain diversity on the Board in compliance with the Listing Rules, pursuant to which our Company seeks to achieve Board diversity through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time.

Our Board has a balanced mix of knowledge and skills, including overall management and strategic development, human resources, accounting and financial management. We have three independent non-executive Directors from different industry backgrounds, including accounting, computer science and engineering and fermentation engineering. With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. Our Board currently comprises one female Director and eight male Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation to our Board and senior management levels.

We will continue to implement measures and steps to promote our Board Diversity Policy. The Nomination Committee will review the Board composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to the Board Diversity Policy when making recommendation to the Board on appointment of new Directors. The Nomination Committee will also review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness. Our Company will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis. We will continue to appoint Directors to the Board based on recommendations from the Nomination Committee, who will consider the Directors' merits with reference to the Board Diversity Policy as a whole.

## REMUNERATION

The compensation and remuneration of our Directors and Supervisors are determined by our Shareholders' general meetings and the compensation and remuneration of members of the senior management are determined by the Board. We also reimburse them for expenses which are necessary and reasonably incurred in providing services to us or discharging their duties in relation to our operations. When reviewing and determining the specific remuneration packages for our Directors, Supervisors and members of the senior management, we take into consideration factors such as salaries paid by comparable companies, time commitment, level of responsibilities and desirability of performance-based remuneration. As required by PRC laws and regulations, we also make contributions for social insurance for our employees, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance, and housing provident fund.

Our Company offers our executive Directors, employees' representative Supervisors and senior management members, who are also our employees, compensation in the form of salaries, social insurance, housing provident fund and other benefits. Our independent non-executive Directors receive directors' fees. We do not offer any compensation to our non-executive Directors or external Supervisors.

In 2022, 2023 and 2024, the aggregate amount of remuneration paid or payable to our Directors amounted to approximately RMB2.5 million, RMB2.3 million, and RMB3.0 million, respectively.

In 2022, 2023 and 2024, the aggregate amount of remuneration paid or payable to our Supervisors amounted to approximately RMB0.5 million, RMB0.6 million, and RMB0.7 million, respectively.

In 2022, 2023 and 2024, there were two, one and one Directors among the five highest paid individuals, respectively. In 2022, 2023 and 2024, the total emoluments for the five highest paid employees (including Directors) amounted to approximately RMB3.3 million, RMB5.4 million, and RMB4.8 million, respectively.

Under the arrangement currently in force, we estimate the total remuneration before taxation, to be accrued to our Directors and Supervisors for the year ending December 31, 2025 to be approximately RMB6.2 million.

No remuneration was paid by us to our Directors, Supervisors or the five highest paid individuals as inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Furthermore, none of our Directors or Supervisors had waived or agreed to waive any remuneration during the same periods.

Save as disclosed above, no other payments have been paid or are payable, in 2022, 2023 and 2024, respectively, by us to our Directors or Supervisors.

## PRE-[REDACTED] SHARE INCENTIVE PLAN

For more information, please see "History, Development and Corporate Structure — Pre-[REDACTED] Share Incentive Plan" and "Appendix VI — Statutory and General Information — D. Pre-[REDACTED] Share Incentive Plan".

## COMPLIANCE ADVISOR

Our Company has appointed Guoyuan Capital (Hong Kong) Limited as our compliance advisor pursuant to Rules 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we shall consult the compliance advisor timely under the following circumstances and, if necessary, seek its advice:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner that is different from that detailed in this document or where our business activities, developments or results deviate from any forecasts, estimates or other information in this document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of our H Shares or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the compliance advisor will commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

## OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Yang, Ms. Li (who is Mr. Yang's spouse), Jurun Investment, Kaixuan Star and Kailai Star will directly own approximately [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]% of the total issued share capital of our Company. As of the Latest Practicable Date, (i) Jurun Investment was owned as to 90% by Mr. Yang and 10% by Ms. Li; (ii) Kaixuan Star was owned as to approximately 15.28% by Mr. Yang and approximately 5.56% by Ms. Li, and Mr. Yang was the general partner of Kaixuan Star; and (iii) Kailai Star was owned as to approximately 14.54% by Mr. Yang, and approximately 41.67% by Liuliu Star, and Mr. Yang was the general partner of Kailai Star. Liuliu Star was owned as to approximately 45.50% by Mr. Yang, and Mr. Yang was the general partner of Liuliu Star. Accordingly, Mr. Yang, Ms. Li, Jurun Investment, Kaixuan Star, Kailai Star and Liuliu Star are a group of Controlling Shareholders upon the [REDACTED]. See "History, Development and Corporate Structure" and "Substantial Shareholders".

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after [REDACTED].

### Management independence

Our daily operational and management decisions are made by our Board and our senior management. Our Board consists of nine Directors, namely five executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Yang is an executive Director and the chairman of the Board.

Our Directors consider that we are capable of maintaining management independence for the following reasons:

(a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) our daily management and operations are carried out independently by our executive Directors and senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Company. See "Directors, Supervisors and Senior Management";

(c) we have three independent non-executive Directors, who are not associated with our Controlling Shareholders or any of their associates and, individually or collectively, possess the requisite knowledge and experience as independent directors of listed companies and will be able to provide professional and experienced advice to our Company and protect the interests of our Company and our Shareholders as a whole;

(d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting. Hence, no Director will be able to influence our Board in making decisions on matters in which he or she is, or may be interested; and

(e) we will establish corporate governance measures to manage potential conflicts of interest, if any, between our Group and our Controlling Shareholders, which would support our independent management. See "— Corporate Governance Measures".

**Operational independence**

We do not rely on our Controlling Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. We have independent access to suppliers and customers, and we also possess all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their close associates.

**Financial independence**

We have an independent financial system and make financial decisions according to our Group's own business needs. We have independent internal control and accounting systems and an independent finance department in charge of our treasury function. As of the Latest Practicable Date, there were no outstanding loans, or advances and balances of a non-trade nature due to or from our Controlling Shareholders.

During the Track Record Period, Mr. Yang and his spouse, Ms. Li, being our Controlling Shareholders, had been providing guarantees (the "**CS Guarantees**") as security for certain of our Group's banks loans (collectively, the "**Guaranteed Loans**"). As of December 31, 2024, we had a total outstanding Guaranteed Loans with amount of approximately RMB321.3 million from 12 banks in the PRC.

We consider that the premature discharge of all outstanding CS Guarantees before the [REDACTED] would be unduly onerous for our Group and not in the best interests of our Group and Shareholders as a whole. Releasing such guarantees would require discussion with and the internal vetting procedures of the relevant banks, a time-consuming process that could impact our normal operations. To the best knowledge of our Directors, it is a common market practice in the PRC for banks to require personal guarantees from the de facto controllers of private enterprises before extending loans or facilities.

Notwithstanding the above, our Directors are of the view that our Group remains financially independent of our Controlling Shareholders and their close associates for the following reasons:

(a) as of the Latest Practicable Date, we had obtained consent letters which indicate certain relevant lenders' willingness in principal to release the CS Guarantees in respect of the Guaranteed Loans of approximately RMB77.9 million and replace with other assets or guarantees to be provided by our Group upon the [REDACTED];

(b) we are committed to obtain new bank facilities which are not guaranteed by our Controlling Shareholders or their close associates; and

(c) we have consistently pursued alternative fundraising and received a series of Pre-[REDACTED] Investments as of the Latest Practicable Date, including our Series D Pre-[REDACTED] Investments of RMB75 million in 2024 and 2025.

Following the [REDACTED], we expect to pursue further fundraising activities in both onshore and offshore markets to the extent as our Directors consider necessary and, depending on factors such as market conditions, business needs, and financial position, while ensuring compliance with applicable regulatory requirements. Given our proven ability to secure independent financing and our established relationships with financial institutions, we believe that after the [REDACTED], we will continue obtaining financing on terms comparable to our existing loans without requiring guarantees from our Controlling Shareholders or their close associates.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their close associates from a financial perspective. We are able to maintain financial independence and do not place undue reliance on our Controlling Shareholders or their close associates.

## INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Each of our Controlling Shareholders confirmed that as of the Latest Practicable Date, apart from the business of our Company, it/he/she did not have any interest in other business, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

## CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance. Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests:

(a) where a Shareholders' meeting is held for considering proposed transactions in which our Controlling Shareholders have a material interest, our Controlling Shareholders shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(b) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(c) in the event that our independent non-executive Directors are requested to review any conflict of interest between our Group and our Controlling Shareholders, our Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in the annual reports or by way of announcements;

(d) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules;

(e) any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules; and

(f) we have appointed Guoyuan Capital (Hong Kong) Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that the above corporate governance measures are sufficient to manage the potential conflicts of interest between our Group and our Controlling Shareholders and/or other Directors to protect minority Shareholders' rights after [REDACTED].

This section presents certain information regarding our share capital prior to and upon the completion of the [REDACTED].

## IMMEDIATELY BEFORE THE [REDACTED]

As of the Latest Practicable Date, our registered capital and issued share capital was RMB67,347,108, divided into 67,347,108 Domestic Unlisted Shares with a nominal value of RMB1.0 each.

## UPON THE COMPLETION OF THE [REDACTED]

Immediately following completion of the [REDACTED] and conversion of certain Domestic Unlisted Shares into H Shares, assuming that the [REDACTED] is not exercised, our share capital is as follows:

| Description of Shares | Number of Shares | Approximate percentage of issued share capital |
|---|---|---|
| | | *(%)* |
| Domestic Unlisted Shares | [59,108,359] | [REDACTED] |
| H Shares to be converted from Domestic Unlisted Shares | [REDACTED] | [REDACTED] |
| H Shares to be issued under the [REDACTED] | [REDACTED] | [REDACTED] |
| **Total** | [REDACTED] | 100.00 |

Immediately following completion of the [REDACTED] and conversion of certain Domestic Unlisted Shares into H Shares, assuming that the [REDACTED] is exercised in full, our share capital is as follows:

| Description of Shares | Number of Shares | Approximate percentage of issued share capital |
|---|---|---|
| | | *(%)* |
| Domestic Unlisted Shares | [59,108,359] | [REDACTED] |
| H Shares to be converted from Domestic Unlisted Shares | [REDACTED] | [REDACTED] |
| H Shares to be issued under the [REDACTED] | [REDACTED] | [REDACTED] |
| **Total** | [REDACTED] | 100.00 |

The above tables assume the [REDACTED] becomes unconditional and is completed.

# SHARE CAPITAL

## SHARE CLASSES AND RANKING

Upon completion of the [REDACTED], the Shares will consist of Domestic Unlisted Shares and H Shares. The H Shares in issue following the completion of the [REDACTED] and the Domestic Unlisted Shares are ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong stock exchanges connectivity mechanism (Shanghai-Hong Kong Stock Connect) and the Shenzhen-Hong Kong stock exchanges connectivity mechanism (Shenzhen-Hong Kong Stock Connect) and other persons entitled to hold our Company's H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be [REDACTED] for by, or [REDACTED] between, legal or natural persons of the PRC. Domestic Unlisted Shares may only be subscribed for by, and traded between, legal persons of the PRC, certain qualified foreign institution [REDACTED] and qualified foreign strategic [REDACTED]. H Shares may only be [REDACTED] for and [REDACTED] in Hong Kong dollars.

Domestic Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. Dividends in respect of our Shares may be paid by us in Hong Kong dollars or Renminbi, as the case may be. In addition to cash, dividends may be distributed in the form of Shares.

## CONVERSION OF DOMESTIC UNLISTED SHARES INTO H SHARES

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the Domestic Unlisted Shares may be converted into overseas [REDACTED] foreign shares (H Shares), and such converted Shares may be [REDACTED] and [REDACTED] on an overseas stock exchange provided that the conversion, [REDACTED] and [REDACTED] of such converted Shares have been approved by the securities regulatory authorities of the State Council. In addition, such conversion, [REDACTED] and [REDACTED] shall complete any requisite internal approval process and comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Unlisted Shares are to be converted, [REDACTED] and [REDACTED] as H Shares on the Stock Exchange, such conversion, [REDACTED] and [REDACTED] will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange. We may apply for the [REDACTED] of all or any portion of the Domestic Shares on the Stock Exchange as H Shares to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any [REDACTED] of additional Shares after our [REDACTED] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [REDACTED] at the time of our [REDACTED] in Hong Kong. No Shareholder voting is required for the conversion of such Shares or the [REDACTED] and [REDACTED] of such converted Shares on an overseas stock exchange. Any application for [REDACTED] of the converted shares on the Stock Exchange after the [REDACTED] is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Our Company has applied for H-share full circulation to convert [REDACTED] Domestic Unlisted Shares on a one-for-one basis into H Shares as per the instructions of the relevant Shareholders.

## TRANSFER OF SHARES PRIOR TO THE [REDACTED]

Pursuant to the PRC Company Law, the Shares issued prior to the [REDACTED] shall not be transferred within 12 months from the [REDACTED].

For details of the lock-up undertaking given by the Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules, see "Underwriting — Lock Up Arrangement — Undertakings to the Stock Exchange pursuant to the Listing Rules — (B) Undertakings by Each of Our Controlling Shareholders".

## REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register the Domestic Shares with the China Securities Depository and Clearing Corporation Limited within 15 business days upon [REDACTED] and provide a written report to the CSRC regarding the centralised registration and deposit of the Domestic Shares as well as the [REDACTED] and [REDACTED] of the H Shares.

## CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which our Shareholders' general meeting and class Shareholders' meeting are required, see "Summary of the Articles of Association — General Meeting".

## SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for our Company to issue H Shares and seek the [REDACTED] of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders' general meeting held on March 27, 2025.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and assuming the [REDACTED] is not exercised, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

| | | | Shares held as of the Latest Practicable Date | | Shares held in the total share capital of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) | |
|---|---|---|---|---|---|---|
| Name of Shareholder | Nature of interest | Class of Shares | Number of Shares | Shareholding percentage | Number of Shares | Shareholding percentage |
| | | | | (Approximate %) | | (Approximate %) |
| Mr. Yang[(1)(2)(3)(4)] | Beneficial owner, interest held by controlled corporations, interest of spouse | Domestic Unlisted Shares | 59,108,359 | 87.77% | 59,108,359 | [REDACTED]% |
| Ms. Li[(1)(2)(3)(4)] | Beneficial owner, interest held by controlled corporations, interest of spouse | Domestic Unlisted Shares | 59,108,359 | 87.77% | 59,108,359 | [REDACTED]% |
| Jurun Investment[(2)] | Beneficial owner | Domestic Unlisted Shares | 24,600,000 | 36.53% | 24,600,000 | [REDACTED]% |
| Kaixuan Star[(3)] | Beneficial owner | Domestic Unlisted Shares | 3,600,000 | 5.35% | 3,600,000 | [REDACTED]% |
| Kailai Star[(4)] | Beneficial owner | Domestic Unlisted Shares | 2,400,000 | 3.56% | 2,400,000 | [REDACTED]% |
| Liuliu Star[(4)] | Interest held by controlled corporations | Domestic Unlisted Shares | 2,400,000 | 3.56% | 2,400,000 | [REDACTED]% |

*Notes:*

(L) All the interests stated are long positions.

(1) Mr. Yang and Ms. Li are spouses. Accordingly, Mr. Yang and Ms. Li are deemed to be interested in the Shares held by each other under the SFO.

(2) Jurun Investment is owned as to 90% by Mr. Yang and 10% by Ms. Li. By virtue of the SFO, Mr. Yang and Ms. Li are deemed to be interested in the Shares held by Jurun Investment.

(3) Kaixuan Star is owned as to approximately 15.28% by Mr. Yang and approximately 5.56% by Ms. Li, and Mr. Yang is the general partner of Kaixuan Star. By virtue of the SFO, each of Mr. Yang and Ms. Li is deemed to be interested in the Shares held by Kaixuan Star.

(4) Kailai Star, our share incentive platform, is owned as to approximately 14.54% by Mr. Yang and approximately 41.67% by Liuliu Star. Liuliu Star is owned as to approximately 45.50% by Mr. Yang. Mr. Yang is the general partner of Kailai Star and Liuliu Star. By virtue of the SFO, each of Mr. Yang, Ms. Li and Liuliu Star is deemed to be interested in the Shares held by Kailai Star.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), have interests and/or short positions in Shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

*The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRSs.*

*The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.*

## OVERVIEW

We are a pioneer in fruit snacks and a leader of plum-based products in China. We also aspire to promote plum culture and to introduce natural and healthy snacking options through our continuous innovation efforts. Guided by our "Plum + " product development strategy, we have built a diverse plum-based products portfolio ranging from classic products crafted with traditional techniques to innovative products fused with complex flavors, catering to a wide range of taste profiles. According to Frost & Sullivan, we ranked first in China's fruit snacks industry in terms of the retail sales value, with a market share of 4.9% in 2024. We also led China's plum-based products industry in 2024, with a market share of 7.0% in terms of retail sales value. Within specific segments, we had ranked first for four consecutive years in both green-plum-based fruit snacks industry and prune-based fruit snacks industry from 2021 to 2024, in terms of retail sales value, according to the same source.

During the Track Record Period, we achieved strong growth. Our revenue increased by 12.6% from RMB1,174.0 million in 2022 to RMB1,322.0 million in 2023, and further increased by 22.2% to RMB1,616.0 million in 2024. Our gross profit increased by 16.9% from RMB453.2 million in 2022 to RMB529.7 million in 2023, and further increased by 10.0% to RMB582.5 million in 2024. Through effective cost management and benefiting from economies of scale, we recorded a net profit of RMB68.4 million, RMB99.2 million and RMB147.7 million in 2022, 2023 and 2024, respectively. Leveraging our continuous product development efforts and effective sales network, we expect to maintain our robust financial performance in the future.

## BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention except for financial assets at fair value through other comprehensive income and financial liabilities at fair value through profit or loss which have been measured at fair value.

The preparation of the historical financial information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 3 to the Accountants' Report included in Appendix I to this document.

## MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Set forth below are certain key factors which have historically affected our results of operations and may impact our results in the future:

### Consumer Demand for Plum-Based Products

We are a flagship company in the snack food industry in China, focusing on fruit snacks and other innovative snacking options made by natural ingredients. Our results of operations are significantly influenced by consumer demand for fruit snacks, which is shaped by evolving consumer preferences and tastes. Driven by both increasing consumption level and rising health consciousness, Chinese consumers are increasingly prioritizing food safety and nutritional value, while demonstrating a stronger willingness to pay a premium for high-quality plum-based products featuring health attributes. The market size of China's green-plum-based fruit snacks industry by retail sales value had increased from RMB5.1 billion in 2020 to RMB9.1 billion in 2024, with a CAGR of 15.5% and is projected to reach RMB17.0 billion in 2029, growing from RMB10.4 billion in 2025 with a CAGR of 13.0%. Similarly, the prune-based fruit snacks market in China has significant growth potential. The market size of prune-based fruit snacks industry by retail sales value in China increased from RMB2.4 billion in 2020 to RMB4.1 billion in 2024, at a CAGR of 14.6%, and is expected to reach RMB8.2 billion in 2029 from RMB4.7 billion in 2025, at a CAGR of 14.9%. China's jelly industry is expanding steadily, increasing from RMB17.8 billion in 2020 to RMB31.0 billion in 2024 at a CAGR of 14.9%, and is expected to reach RMB57.0 billion in 2029, at a CAGR of 13.0% from 2025. For more details, see "Industry Overview."

Our business depends on our deep understanding of these evolving consumer preferences. Consumer preferences may shift due to a variety of factors, including emerging health trend, shift in consumption concepts and diversification of consumption scenarios. As a leader of plum-based products, our robust R&D capabilities and deep market insights have enabled us to deliver various nutritious fruit snacks with natural ingredients, garnering popularity since their market introduction. We believe that our continued efforts to meet consumer demand have strengthened consumer loyalty and are critical to our ability to further grow our business.

**Product Offering Expansion Driven by Continued R&D Efforts**

Our revenue growth depends on our ability to develop and expand product offerings that accommodate shifting consumer tastes and different consumption scenarios, helping us retain existing consumers and attract new ones. We actively pursue the "Plum+" product development strategy, a plum-centric product development philosophy that blends the natural sour taste of plums with versatile product types. We currently offer three major product categories, namely, dried plum snacks, prune-based products, and plum jelly. For each category, we have launched different series that include both traditionally crafted products and those with innovative flavors. Our robust R&D capabilities in developing commercially successful plum-based products are demonstrated by our plum jelly launch. Positioned as a natural snacking alternative to traditional options, the plum jelly's revenue contribution grew rapidly from RMB230.3 million in 2022 to RMB311.1 million in 2023 and further to RMB410.4 million in 2024. Leveraging our cutting-edge food production and processing technologies, we aim to further diversify our portfolio by fully exploring the value of plums in other product categories and identifying new consumption scenarios for plum-based foods.

**Expansion and Maintenance of Sales and Distribution Networks**

Our management and development of sales channels are vital to our business operation and future growth, as our diversified sales network enables us to effectively penetrate regional markets and reach consumers with varying purchasing behaviors. Our comprehensive and diversified channel networks span from offline to online channels and combine direct sales with distributorship. We plan to place our direct sales channels at the core of our market strategies, while strategically expanding our market coverage with the support of distributors.

We reach end consumers directly through our self-operated online stores and sales to retailers. We established our self-operated stores on leading e-commerce platforms and social media platforms. During the Track Record Period, we strategically focused on expanding direct sales through customers including national and regional supermarkets, well-known online retailers and chain convenience stores. These customers possess extensive end consumer bases and robust purchasing power, and we strategically sell products to them to further amplify our market presence. The revenue generated from retailers amounted to RMB151.6 million in 2022, RMB304.7 million in 2023 and RMB817.7 million in 2024, accounting for 12.9%, 23.0% and 50.6% of the total revenue in the respective year.

In complement to direct sales, we also collaborate with a wide array of distributors, including wholesale distributors, distributors with visit sales capabilities and county-level distributors. By harnessing the complementary strengths of these distributor types, we have cultivated a highly adaptive distribution network, which not only amplifies our market reach but also enhances operational efficiency by aligning our resources with the unique demands of different segments. As of December 31, 2024, we engaged a total of 1,396 distributors.

**Production Expansion and Supply Chain Management**

We have established production bases next to major plum sourcing regions including Anhui, Fujian and Guangxi. The overall utilization rate of our production plants was 86.6%, 89.6% and 89.7% in 2022, 2023 and 2024, respectively. We engage OEM suppliers to produce plum jelly as a supplement to our own capacity. Our strategic focus on expanding in-house production capacity has yielded significant cost optimizations, with outsourced processing costs decreasing from RMB73.7 million in 2022 to RMB39.8 million in 2023, and further to RMB32.0 million in 2024. Our ability to further increase our production capacity is critical to supporting our stable and continuous business growth. In addition to refine and optimize our production process, we plan to establish specialized production plants and expand our production lines to increase our production capacity for dried plum snacks, plum jelly and product ingredients. See “Future Plans and Use of [REDACTED].”

In addition, our ability to effectively manage and integrate business partners and resources along our supply chain is crucial to our business operation and results of operations. We are exposed to fluctuations in the prices of key raw materials, including green plums, imported prunes and white sugar, which may have impact on our cost of sales. Increased raw material costs will reduce our profit margins if we are unable to pass on these additional costs from our customers through higher prices. See “Industry Overview — Raw Material Price Analysis.” We closely monitor the supply and cost trends of the raw materials and maintain strong connections with our upstream plum suppliers and overseas prune suppliers, fostering long-term and stable partnerships. Drawing on our extensive industry experience, we develop procurement plans and manage inventories to mitigate risks associated with raw material shortages. We strive to enhance our supply chain management capabilities to boost operational and managerial efficiencies, ultimately leading to improved financial performance. However, as we source raw materials from overseas regions, we are susceptible to the price fluctuations and trade restrictions in these markets. See “Risk Factors — Risks Relating to Our Business and Industry — Changes in international trade policies, geopolitics and trade tariffs, export control and economic or trade sanctions may materially and adversely affect our business, financial condition and results of operations."

**Effectiveness of Branding and Marketing Activities**

We place great emphasis on brand-building and adopt flexible and diversified marketing strategies to reach customers. Our comprehensive, multi-dimensional approach includes leveraging products, cultural initiatives, festivals, KOLs and celebrities. By capitalizing on the increasing consumer interest in healthy snack alternatives, we promote plum culture, enhance our brand awareness and maximize our reach to potential consumers across diverse demographics. In 2022, 2023, 2024, our selling and distribution expenses were RMB282.7 million, RMB309.4 million and RMB310.2 million, respectively. We believe that effective marketing and branding activities can increase consumer demand for our products, thereby boosting our short-term revenue. In addition, these efforts will help transform consumers into loyal supporters of our brands, ensuring sustainable profitability in the long term.

**Seasonality**

Our business operations exhibit seasonal patterns in both procurement and sales activities. We conduct significant procurement of plums during the spring harvest season to support our production and sales requirements for the subsequent year. On the other hand, our business and results of operation are subject to seasonal fluctuations primarily due to impact of public holidays such as the Chinese New Year and the stocking and sales cycles of customers before or around holidays. We launch product bundles for certain festivals and holidays to boost sales and typically experience sales peaks before Chinese New Year. These seasonal fluctuations may render our results of operations in certain given periods not indicative of our results of operations for the full year.

## CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

***Sale of goods***

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The costs of transporting finished goods to customers are recognized in selling and distribution expenses when incurred.

Some contracts for the sale of goods provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

***Other income***

Sale of scraps and raw materials is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the scraps and raw materials. Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| Category | Principal annual rate | Estimated residual value rate |
|---|---|---|
| Buildings | 4.75% | 5.00% |
| Plant and machinery | 9.50% to 31.67% | 5.00% |
| Furniture and fixtures | 19.00% to 47.50% | 5.00% |
| Motor vehicles | 19.00% to 47.50% | 5.00% |
| Electronic equipment | 19.00% to 31.67% | 5.00% |
| Building improvement | 20.00% to 50.00% | – |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

## PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table summarizes our results of operations for the periods indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *(RMB in thousands)* | | |
| Revenue | 1,174,046 | 1,322,042 | 1,616,018 |
| Cost of sales | (720,880) | (792,331) | (1,033,553) |
| **Gross profit** | **453,166** | **529,711** | **582,465** |
| Other income and gains | 25,082 | 27,962 | 39,572 |
| Selling and distribution expenses | (282,712) | (309,395) | (310,170) |
| Administrative expenses | (82,373) | (88,691) | (100,180) |
| Research and development expenses | (23,677) | (33,612) | (18,948) |
| Finance costs | (10,665) | (7,966) | (7,773) |
| Fair value loss on financial liabilities at fair value through profit or loss ("**FVTPL**") | (511) | (6,026) | (1,625) |
| Impairment loss on trade receivables and other receivables, net | (890) | (719) | (2,143) |
| Other expenses | (262) | (661) | (791) |
| **Profit before tax** | **77,158** | **110,603** | **180,407** |
| Income tax expense | (8,726) | (11,372) | (32,688) |
| **Profit for the year** | **68,432** | **99,231** | **147,719** |
| **Attributable to:** | | | |
| Owners of the Company | 68,432 | 99,231 | 147,719 |

**Revenue**

***Revenue by Product Category***

We derive our revenue primarily from sales of dried plum snacks, prune-based products and plum jelly. The following table sets forth a breakdown of our revenue by product category for the periods indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(RMB in thousands, except for percentages)* | | | | | |
| Dried plum snacks | 808,414 | 68.9 | 838,110 | 63.4 | 973,531 | 60.3 |
| Prune-based products | 121,838 | 10.4 | 155,985 | 11.8 | 223,561 | 13.8 |
| Plum jelly | 230,295 | 19.6 | 311,069 | 23.5 | 410,358 | 25.4 |
| Others[(1)] | 13,499 | 1.1 | 16,878 | 1.3 | 8,568 | 0.5 |
| **Total** | **1,174,046** | **100.0** | **1,322,042** | **100.0** | **1,616,018** | **100.0** |

*Note:*

(1) Others mainly represent plum-based seasoning products, plum tea concentrate and other fruit-based products.

During the Track Record Period, we achieved growth across all our major product categories. In particular, our "Plum + " product development strategy led to an expanded portfolio of prune-based products and plum jelly products, which increasingly contributed to our revenue.

The table below sets forth a breakdown of our sales volume and average selling price per kg by major product category for the years indicated:

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | | 2022 | 2023 | 2024 |
| Dried plum snacks | kilotons | 20.5 | 21.7 | 27.6 |
| | RMB/kg | 39.4 | 38.7 | 35.2 |
| Prune-based products | kilotons | 3.2 | 4.1 | 5.6 |
| | RMB/kg | 38.1 | 38.1 | 39.6 |
| Plum jelly | kilotons | 8.5 | 12.1 | 22.0 |
| | RMB/kg | 27.2 | 25.8 | 18.6 |

During the Track Record Period, the sales volume of each of our major product category increased steadily, demonstrating our strong business growth and consumer market recognition. We proactively offered more competitive prices of dried plum snacks to enhance our market penetration in the broader snack industry. For example, we introduced various packaging sizes and combinations tailored to the targeted consumers' preferences, including family-sized packages and variety packs which typically have lower per-unit prices. Additionally, in 2024, we offer customized products with lower per-unit prices for distributors targeting the lower-tier cities, expanding our market presence. We expanded our production capacity for plum jelly during the Track Record Period and successfully optimized the cost structure by reducing outsourced processing costs, allowing us to implement more competitive pricing strategies to appeal to a broader range of consumers. The average selling price of our prune-based products remained relatively stable, remaining its premium positioning.

***Revenue by Sales Channel***

The table below sets forth a breakdown of our revenue generated from direct sales, including sales through (i) our online self-operated stores and (ii) retailers, primarily consisting of snack stores, supermarkets, online retailers and convenience stores, as well as sales through distributors for the periods indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | *(RMB in thousands, except for percentages)* | | | | | |
| **Direct sales** | **299,674** | **25.5** | **440,328** | **33.3** | **956,953** | **59.2** |
| Online self-operated stores | 148,107 | 12.6 | 135,582 | 10.3 | 139,226 | 8.6 |
| Retailers | 151,567 | 12.9 | 304,746 | 23.0 | 817,727 | 50.6 |
| **Distributorship** | **874,372** | **74.5** | **881,714** | **66.7** | **659,065** | **40.8** |
| **Total** | **1,174,046** | **100.0** | **1,322,042** | **100.0** | **1,616,018** | **100.0** |

During the Track Record Period, revenue from direct sales increased by 46.9% from RMB299.7 million in 2022 to RMB440.3 million in 2023, and further increased by 117.4% to RMB957.0 million in 2024, primarily attributable to our strategic focus on direct sales channels, particularly to chain supermarkets and chain snack stores, which enabled us to establish a more stable and direct reach to consumers in our target markets.

Revenue from distributorship remained relatively stable at RMB874.4 million in 2022 and RMB881.7 million in 2023, but decreased by 25.2% to RMB659.1 million in 2024, as we strategically positioned our distributorship network as a supplementary channel to cover regions where our direct sales network had not yet established presence.

**Cost of sales**

Our cost of sales mainly consists of (i) raw materials, primarily including green plums, prunes and other fruits, auxiliary materials such as sugar and salt, as well as packaging materials, (ii) labor costs, (iii) outsourced processing cost, representing the cost for purchasing processing services to supplement our production capacity, and (iv) utilities expenses. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | *(RMB in thousands, except percentages)* | | | | | |
| Raw material costs | 489,372 | 67.9 | 575,546 | 72.8 | 771,381 | 74.6 |
| Labor costs | 91,362 | 12.7 | 103,126 | 13.0 | 141,018 | 13.6 |
| Outsourced processing costs | 73,717 | 10.2 | 39,843 | 5.0 | 31,977 | 3.1 |
| Utilities expenses | 26,150 | 3.6 | 32,835 | 4.1 | 44,273 | 4.3 |
| Depreciation and amortization | 24,540 | 3.4 | 30,463 | 3.8 | 30,636 | 3.0 |
| Others[1] | 15,739 | 2.2 | 10,518 | 1.3 | 14,268 | 1.4 |
| **Total** | **720,880** | **100.0** | **792,331** | **100.0** | **1,033,553** | **100.0** |

*Note:*

(1) Others primarily include testing fees, maintenance costs and low-value consumables.

***Sensitivity analysis***

The following sensitivity analysis illustrates the impact of hypothetical fluctuation in our cost of raw materials on our profit before tax during the Track Record Period:

| **Hypothetical changes in the cost of raw materials** | **Year ended December 31,** | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *(RMB in thousands)* | | |
| ±2% | 9,787 | 11,511 | 15,428 |
| ±5% | 24,469 | 28,777 | 38,569 |
| ±10% | 48,937 | 57,555 | 77,138 |

### Gross Profit and Gross Profit Margin

Our gross profit increased from RMB453.2 million in 2022 to RMB529.7 million in 2023, and further to RMB582.5 million in 2024. Our gross profit margin was 38.6%, 40.1% and 36.0% in 2022, 2023 and 2024, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the years indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *Gross profit* | *Gross profit margin (%)* | *Gross profit* | *Gross profit margin (%)* | *Gross profit* | *Gross profit margin (%)* |
| | *(RMB in thousands, except percentages)* | | | | | |
| Dried plum snacks | 320,532 | 39.6 | 316,378 | 37.7 | 312,639 | 32.1 |
| Prune-based products | 44,693 | 36.7 | 54,733 | 35.1 | 72,332 | 32.4 |
| Plum jelly | 83,294 | 36.2 | 153,030 | 49.2 | 196,107 | 47.8 |
| Others(1) | 4,647 | 34.4 | 5,570 | 33.0 | 1,387 | 16.2 |
| **Total** | **453,166** | **38.6** | **529,711** | **40.1** | **582,465** | **36.0** |

*Note:*

(1) Others mainly represent plum-based seasoning products, plum tea and other dried-fruit products.

During the Track Record Period, our plum-based products' gross profit margin was primarily affected by (i) the fluctuations in key raw material prices, and (ii) our strategic pricing decisions to enhance market penetration in the broader snack industry. Meanwhile, we are committed to improving our production cost management capabilities through optimized processes and reduced outsourced processing costs. See "Year-to-Year Comparison of Results of Operations."

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channel for the years indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *Gross profit* | *Gross profit margin (%)* | *Gross profit* | *Gross profit margin (%)* | *Gross profit* | *Gross profit margin (%)* |
| | *(RMB in thousands, except percentages)* | | | | | |
| **Direct sales** | | | | | | |
| Online self-operated stores | 80,611 | 54.4 | 68,050 | 50.2 | 65,420 | 47.0 |
| Retailers | 73,084 | 48.2 | 131,317 | 43.1 | 296,803 | 36.3 |
| **Distributorship** | 299,471 | 34.2 | 330,344 | 37.5 | 220,242 | 33.4 |
| **Total** | **453,166** | **38.6** | **529,711** | **40.1** | **582,465** | **36.0** |

During the Track Record Period, we generally had higher gross profit margins with direct sales channels, including our online self-operated stores. Specifically, gross profit from retailers significantly increased as we proactively expanded the sales with established retailers with extensive consumer bases and robust purchasing power, allowing us to efficiently increase market penetration. The gross profit margin of our direct sales channels generally decreased during the Track Record Period, primarily because we implemented more competitive pricing strategies to appeal to a broader range of consumers. We recognize promotional discounts as deduction of revenue for both direct sales and distributor customers.

**Other Income and Gains**

Our other income primarily includes (i) government grants and subsidies from government authorities in relation to our local operations and investments in constructing and upgrading production plants and (ii) net proceeds related to scraps and raw materials such as fruit pits and peels, sugar wastewater, and fruits that do not meet our product size requirements. Our other gains primarily include compensation received pursuant to court judgments as we asserted our rights and interests against unfair competition. The table below sets forth a breakdown of our other income and gains by nature for the years indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *(RMB in thousands)* | | |
| **Other income** | | | |
| Government grants and subsidies | | | |
| Related to income | 14,071 | 18,780 | 33,326 |
| Related to assets | 589 | 729 | 487 |
| Proceeds related to scraps and raw materials, net | 9,719 | 6,357 | 3,933 |
| Bank interest income | 314 | 665 | 547 |
| Others | 305 | 312 | 514 |
| **Total other income** | **24,998** | **26,843** | **38,807** |
| **Gains** | | | |
| Gains on disposal of items of property, plant and equipment | 4 | 14 | 12 |
| Compensation | 80 | 1,105 | 753 |
| **Total gains** | **84** | **1,119** | **765** |
| **Total other income and gains** | **25,082** | **27,962** | **39,572** |

### Selling and Distribution Expenses

Our selling and distribution expenses primarily include (i) employee compensation expenses, (ii) marketing expenses associated with offline marketing activities, online precision marketing costs and live streaming expenses on e-commerce platforms, (iii) advertising expenses for brand promotional activities primarily involving our brand ambassadors, and (iv) transportation expenses, primarily relating to the delivery of our finished products to our customers. The table below sets forth a breakdown of our selling expenses by nature for the years indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | *(RMB in thousands, except percentages)* | | | | | |
| Employee compensation expenses | 68,859 | 24.4 | 75,316 | 24.3 | 80,346 | 25.9 |
| Marketing expenses | 69,652 | 24.6 | 77,097 | 24.9 | 60,747 | 19.6 |
| Advertising expenses | 66,664 | 23.6 | 74,215 | 24.0 | 79,022 | 25.5 |
| Transportation expenses | 47,576 | 16.8 | 53,744 | 17.4 | 64,607 | 20.8 |
| Travel expenses | 15,120 | 5.3 | 15,051 | 4.9 | 14,180 | 4.6 |
| Depreciation and amortization | 6,437 | 2.3 | 6,795 | 2.2 | 6,933 | 2.2 |
| Others[(1)] | 8,404 | 3.0 | 7,177 | 2.3 | 4,335 | 1.4 |
| **Total** | **282,712** | **100.0** | **309,395** | **100.0** | **310,170** | **100.0** |

*Note:*

(1) Others primarily represent entertainment fees, rental fees and office utilities expenses.

### Administrative Expenses

Our administrative expenses mainly include (i) employee compensation expenses, (ii) depreciation and amortization and (iii) taxes and surcharges. The table below sets forth a breakdown of our administrative expenses by nature for the years indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | *(RMB in thousands, except percentages)* | | | | | |
| Employee compensation expenses | 45,872 | 55.7 | 51,420 | 58.0 | 54,425 | 54.4 |
| Depreciation and amortization | 15,436 | 18.7 | 16,325 | 18.4 | 16,327 | 16.3 |
| Taxes and surcharges | 8,793 | 10.7 | 10,066 | 11.3 | 11,163 | 11.1 |
| Consulting fees | 3,757 | 4.6 | 1,715 | 1.9 | 2,113 | 2.1 |
| Travel expenses | 3,707 | 4.5 | 4,786 | 5.4 | 5,819 | 5.8 |
| Business development expenses | 1,782 | 2.2 | 1,949 | 2.2 | 1,652 | 1.6 |
| [REDACTED] expenses | – | – | – | – | [REDACTED] | [REDACTED] |
| Others(1) | 3,026 | 3.7 | 2,430 | 2.7 | 2,887 | 2.9 |
| **Total** | **82,373** | **100.0** | **88,691** | **100.0** | **100,180** | **100.0** |

*Note:*

(1) Others primarily represent rental fees and bank charges.

**Research and Development Expenses**

Our research and development expenses mainly include (i) direct costs for raw materials, and (ii) employee compensation expenses. The table below sets forth a breakdown of our research and development expenses by nature for the years indicated:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | *(RMB in thousands, except percentages)* | | | | | |
| Direct costs | 14,482 | 61.2 | 22,012 | 65.5 | 9,531 | 50.2 |
| Employee compensation expenses | 6,185 | 26.1 | 8,281 | 24.6 | 7,475 | 39.5 |
| Depreciation and amortization | 1,329 | 5.6 | 1,710 | 5.1 | 1,323 | 7.0 |
| R&D outsource | 1,446 | 6.1 | 1,264 | 3.8 | 337 | 1.8 |
| Others[(1)] | 235 | 1.0 | 345 | 1.0 | 282 | 1.5 |
| **Total** | **23,677** | **100.0** | **33,612** | **100.0** | **18,948** | **100.0** |

*Note:*

(1) Others primarily represent utilities expenses.

**Finance Costs**

Our finance costs primarily consist of interest on bank loans and interest on lease liabilities. The table below sets forth a breakdown of our finance costs by nature for the years indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | |
| Interest on bank loans | 10,596 | 7,817 | 7,652 |
| Interest on lease liabilities | 69 | 149 | 121 |
| **Total** | **10,665** | **7,966** | **7,773** |

**Fair Value Loss on Financial Liabilities at Fair Value Through Profit or Loss**

Certain independent investors subscribed or acquired our ordinary shares with preferential rights that are designated as financial liabilities at FVTPL and were subsequently measured at fair value.

We had fair value losses on financial liabilities at fair value through profit or loss of RMB0.5 million, RMB6.0 million and RMB1.6 million in 2022, 2023 and 2024, respectively, primarily representing changes in fair value of the equity interests with preferential rights held by our investors. See Note 24 to the Accountants' Report included in Appendix I to this document.

**Impairment Loss on Trade Receivables and Other Receivables, Net**

Our net impairment loss on trade receivables and other receivables are related to expected credit loss. We had net impairment losses on trade and other receivables, net of RMB0.9 million, RMB0.7 million and RMB2.1 million in 2022, 2023 and 2024, respectively.

**Other Expenses**

Our other expenses primarily include foreign exchange losses from overseas procurement. We had other expenses of RMB0.3 million, RMB0.7 million and RMB0.8 million in 2022, 2023 and 2024, respectively.

**Income Tax Expense**

Our income tax comprises current and deferred tax. We recorded income tax expense of RMB8.7 million, RMB11.4 million and RMB32.7 million in 2022, 2023 and 2024, respectively. In 2022, 2023 and 2024, our Company and its subsidiaries established in the PRC are subject to the PRC corporate income tax rate of 25.0%, except that some of the subsidiaries and their projects were entitled to preferential tax treatments.

Certain of our subsidiaries are qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 2.5% to 5% in 2022 and 5% in 2023 and 2024, respectively. One of our subsidiaries, Liuliumei Research Institute, was recognized as a High and New Technology Enterprise in 2022 and was entitled to a preferential corporate income tax rate of 15% during each year of the Track Record Period. This qualification is subject to review by the relevant tax authority in the PRC for every three years. Certain subsidiaries were granted tax exemptions in accordance with the policy of "The notice of preferential tax policy for preliminary processing of agriculture products." In addition, enterprises engaging in research and development activities are entitled to claim as deduction 200% as tax deductible expenses when determining their taxable profits for the year (the "**Super Deduction**") according to relevant laws and regulations. Our management have made best estimate for the Super Deduction to be claimed in ascertaining the assessable profits during the Track Record Period.

As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

## YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

### Results of Operations in 2024 compared with 2023

The following discussion compares our consolidated results of operations in 2024 with 2023.

***Revenue***

Our revenue increased by 22.2% from RMB1,322.0 million in 2023 to RMB1,616.0 million in 2024. The increase was primarily due to (i) increased consumer demand for our dried plum snacks, prune-based products and plum jelly, and (ii) the successful expansion of our direct sales channels as we expanded sales with chain snack stores, national and regional supermarkets, well-known online retailers and chain convenience stores, which possess extensive consumer bases and robust purchasing power. We had substantial revenue growth from retailers, with an increase of 168.3% from RMB304.7 million in 2023 to RMB817.7 million in 2024.

In particular:

- Revenue from dried plum snacks increased by 16.2% from RMB838.1 million in 2023 to RMB973.5 million in 2024. The increase was primarily driven by an increase in sales volume, which grew from 23,168 tons in 2023 to 29,894 tons in 2024. Such growth reflects the rising popularity of our dried plum snacks and enhanced brand recognition among consumers, driven by our continuous efforts to launch new products and upgrade existing ones as well as successful marketing activities.

- Revenue from prune-based products increased by 43.3% from RMB156.0 million in 2023 to RMB223.6 million in 2024. The increase was primarily due to the growth of sales volume from 4,028 tons in 2023 to 5,634 tons in 2024, influenced by consumer preferences for natural and healthy snacks.

- Revenue from plum jelly increased by 31.9% from RMB311.1 million in 2023 to RMB410.4 million in 2024. The increase was primarily driven by robust consumer demand for our new products, with the sales volume of our plum jelly increasing significantly from 12,104 tons in 2023 to 21,784 tons in 2024, reflecting the successful outcomes of our product development efforts in introducing new flavors.

- Revenue from other products amounted to RMB16.9 million in 2023 and RMB8.6 million in 2024, primarily in relation to our trial sales of certain products.

***Cost of Sales***

Our cost of sales increased by 30.5% from RMB792.3 million in 2023 to RMB1,033.6 million in 2024, primarily due to the increase in raw material costs and labor costs, as a result of the growing total production volume in line with our business expansion.

***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our gross profit increased by 10.0% from RMB529.7 million in 2023 to RMB582.5 million in 2024.

Our gross profit margin decreased from 40.1% in 2023 to 36.0% in 2024, primarily due to (i) an increase in the raw material costs affected by the fluctuations in market prices of key raw materials, and (ii) that we proactively offered more favorable prices to increase our market penetration in the broad snack industry, appealing to a broader range of consumers.

***Other Income and Gains***

Our other income and gains increased from RMB28.0 million in 2023 to RMB39.6 million in 2024. The increase was primarily due to the increase in government grants and subsidies related to income in relation to our local operations.

***Selling and Distribution Expenses***

Our selling and distribution expenses amounted to RMB309.4 million in 2023 and RM310.2 million in 2024. The slight increase was primarily attributable to (i) an increase in transportation expenses, in line with our sales growth, (ii) an increase in the advertising expenses for celebrity endorsements to expand our consumer base, and (iii) an increase in employee compensation expenses as we expanded our sales team to support our business expansion. This was partially offset by a decrease in the marketing expenses as we expanded our sales with retailer customers who required fewer marketing activities.

***Administrative Expenses***

Our administrative expenses increased by 13.0% from RMB88.7 million in 2023 to RMB100.2 million in 2024. The increase was primarily due to (i) the expansion of our administrative team as our business scaled up, and (ii) the [REDACTED] incurred in 2024.

***Research and Development Expenses***

Our research and development expenses decreased by 43.8% from RMB33.6 million in 2023 to RMB18.9 million in 2024. The decrease was primarily due to the conclusion of certain R&D projects initiated in previous periods, which resulted in the launch of new products such as Premium Plums and plum jelly products featuring new flavors.

### *Finance Costs*

Our finance costs decreased from RMB8.0 million in 2023 to RMB7.8 million in 2024. The decrease was primarily due to the decrease in interest on bank loans, attributable to (i) our repayment of existing loans and securing new loans at lower interest rates, and (ii) our reduced financing needs resulting from increased cash flow generated by our expanded sales.

### *Fair Value Loss on Financial Liabilities at Fair Value Through Profit or Loss*

Our fair value loss on financial liabilities at fair value through profit or loss decreased from RMB6.0 million in 2023 to RMB1.6 million in 2024. The decrease was primarily due to (i) the changes in the fair value of equity interests with preferential rights held by our investors, (ii) payment for repurchase of shares issued to an investor, (iii) termination of preferential rights granted to certain investors, and (iv) issuance of shares to a new investor.

### *Impairment Loss on Trade Receivables and Other Receivables, Net*

Our impairment loss on trade receivables and other receivables increased from RMB0.7 million in 2023 to RMB2.1 million in 2024. The increase was primarily because we made provisions for certain trade receivables that have been outstanding for an extended period.

### *Other Expenses*

Our other expenses amounted to RMB0.7 million in 2023 and RMB0.8 million in 2024.

### *Income Tax Expense*

Our income tax expense increased from RMB11.4 million in 2023 to RMB32.7 million in 2024, primarily due to the increase of our profit before tax in 2024.

### *Profit for the Year*

As a result, our profit for the year increased by 48.9% from RMB99.2 million in 2023 to RMB147.7 million in 2024.

### Results of Operations in 2023 compared with 2022

The following discussion compares our consolidated results of operations in 2023 with 2022.

***Revenue***

Our revenue increased by 12.6% from RMB1,174.0 million in 2022 to RMB1,322.0 million in 2023, primarily due to (i) increased consumer demand for our dried plum snacks, prune-based products and plum jelly, and (ii) the development of direct sales channels and the expansion of our distribution network. We had significant revenue growth from retailers, with an increase of 101.1% from RMB151.6 million in 2022 to RMB304.7 million in 2023.

In particular:

- Revenue from dried plum snacks increased by 3.7% from RMB808.4 million in 2022 to RMB838.1 million in 2023. The increase was primarily due to the increased sales volume, which grew from 21,209 tons in 2022 to 23,168 tons in 2023.

- Revenue from prune-based products increased by 28.1% from RMB121.8 million in 2022 to RMB156.0 million in 2023. The increase was primarily due to an increase in sales volume, which grew from 3,144 tons in 2022 to 4,028 tons in 2023, driven by the rising popularity and market momentum of prunes as a natural and healthy snack.

- Revenue from plum jelly increased by 35.1% from RMB230.3 million in 2022 to RMB311.1 million in 2023. The increase was primarily driven by the robust consumer demand for our plum jelly. The sales volume of our plum jelly increased from 8,380 tons in 2022 to 12,104 tons in 2023.

- Revenue from other products increased by 25.2% from RMB13.5 million in 2022 to RMB16.9 million in 2023. The increase was primarily influenced by the revenue from certain trial products.

***Cost of Sales***

Our cost of sales increased by 9.9% from RMB720.9 million in 2022 to RMB792.3 million in 2023. The increase was primarily due to the increase in raw material costs, which was generally in line with our revenue growth and the increase in the sales volume of our products from a total of 33,686 tons in 2023 to 39,882 tons. The outsourced processing costs decreased from RMB73.7 million in 2022 to RMB39.8 million in 2023 primarily due to (i) the expansion of our in-house production capacity for plum jelly, and (ii) successful negotiations for better terms in accordance with our internal cost management policy.

***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our gross profit increased by 16.9% from RMB453.2 million in 2022 to RMB529.7 million in 2023.

Our gross profit margin increased from 38.6% in 2022 to 40.1% in 2023, primarily driven by the increase in the gross profit margin of plum jelly from 36.2% in 2022 to 49.2% in 2023. The improvement was primarily attributable to (i) an increase in the sales to retailer customers who typically require fewer marketing activities and therefore yield higher gross profit margin, (ii) the expansion of our production capacity, in particular for our plum jelly, leading to a decrease in outsourced processing costs, and (iii) economies of scale as our production volume ramped up.

***Other Income and Gains***

Our other income and gains increased from RMB25.1 million in 2022 to RMB28.0 million in 2023. The increase was primarily due to the increase in government grants and subsidies related to income in relation to our local operations.

***Selling and Distribution Expenses***

Our selling and distribution expenses increased by 9.4% from RMB282.7 million in 2022 to RMB309.4 million in 2023. The increase was primarily due to (i) the expansion of our sales team as our business scaled up, (ii) an increase in the advertising expenses and marketing expenses, demonstrating our sales efforts to attract consumers and expand sales, and (iii) an increase in the transportation expenses for products delivery to our customers.

***Administrative Expenses***

Our administrative expenses increased by 7.6% from RMB82.4 million in 2022 to RMB88.7 million in 2023. The increase was mainly due to the expansion of our administrative team as our business scaled up.

***Research and Development Expenses***

Our research and development expenses increased by 41.8% from RMB23.7 million in 2022 to RMB33.6 million in 2023. The increase was primarily due to our R&D efforts for the development of new products, including plum jelly featuring various flavors and Crispy Green Plum.

***Finance Costs***

Our finance costs decreased from RMB10.7 million in 2022 to RMB8.0 million in 2023. The decrease was primarily due to the decrease in interest on bank loans, attributable to (i) our repayment of existing loans and securing new loans at lower interest rates, and (ii) our reduced financing needs resulting from increased cash flow generated by our expanded sales.

***Fair Value Loss on Financial Liabilities at Fair Value Through Profit or Loss***

Our fair value loss on financial liabilities at fair value through profit or loss increased from RMB0.5 million in 2022 to RMB6.0 million in 2023. The increase was mainly due to the changes in the fair value of equity interests with preferential rights held by our investors.

***Impairment Loss on Trade Receivables and Other Receivables, Net***

Our impairment loss on trade receivables and other receivables, net decreased from RMB0.9 million in 2022 to RMB0.7 million in 2023. The decrease was primarily due to the recovery of certain outstanding other receivables.

***Other Expenses***

Our other expenses amounted to RMB0.3 million in 2022 and RMB0.7 million in 2023, mainly reflecting foreign exchange losses from overseas procurement.

***Income Tax Expense***

Our income tax expense increased from RMB8.7 million in 2022 to RMB11.4 million in 2023. The increase was primarily due to the increase in our taxable income in 2023, partially offset by the tax preferential treatment in relation to preliminary processing of agriculture products.

***Profit for the Year***

Our profit for the year increased by 45.0% from RMB68.4 million in 2022 to RMB99.2 million in 2023.

## DESCRIPTION OF CERTAIN COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the components of our consolidated statements of financial position as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 519,931 | 563,492 | 592,238 |
| Right-of-use assets | 90,877 | 90,897 | 86,494 |
| Other intangible assets | 3,215 | 2,856 | 2,385 |
| Prepayments, other receivables and other assets | 16,857 | 12,291 | 32,133 |
| Deferred tax assets | 47,072 | 46,100 | 21,612 |
| **Total non-current assets** | **677,952** | **715,636** | **734,862** |
| **Current assets** | | | |
| Inventories | 363,026 | 425,934 | 523,701 |
| Trade and bills receivables | 78,541 | 80,526 | 162,928 |
| Prepayments, other receivables and other assets | 77,996 | 69,330 | 115,236 |
| Income tax recoverable | 6 | 129 | 6,501 |
| Financial assets at fair value through other comprehensive income ("**FVOCI**") | 155 | 983 | 30 |
| Pledged bank deposits | 36,991 | 34,732 | 49,662 |
| Cash and cash equivalents | 74,451 | 67,392 | 78,047 |
| **Total current assets** | **631,166** | **679,026** | **936,105** |
| **Current liabilities** | | | |
| Financial liabilities at FVTPL | 462,651 | 262,535 | 171,109 |
| Trade and bills payables | 192,946 | 184,957 | 290,909 |
| Other payables and accruals | 254,202 | 280,979 | 258,675 |
| Interest-bearing bank borrowings | 223,816 | 180,197 | 321,333 |
| Income tax payable | 3,976 | 7,420 | 6,478 |
| Lease liabilities | 766 | 1,965 | 784 |
| **Total current liabilities** | **1,138,357** | **918,053** | **1,049,288** |
| **Net Current Liabilities** | **(507,191)** | **(239,027)** | **(113,183)** |
| **Total Assets less Current Liabilities** | **170,761** | **476,609** | **621,679** |

| | As of December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | |
| **Non-current liabilities** | | | |
| Financial liabilities at FVTPL | – | 206,142 | – |
| Lease liabilities | 1,063 | 1,930 | 1,146 |
| Deferred income | 3,801 | 3,072 | 2,585 |
| **Total non-current liabilities** | **4,864** | **211,144** | **3,731** |
| **Net assets** | **165,897** | **265,465** | **617,948** |
| **Equity** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 75,665 | 75,665 | 75,665 |
| Reserves | 90,232 | 189,800 | 542,283 |
| **Total equity** | **165,897** | **265,465** | **617,948** |

**Property, Plant and Equipment**

Our property, plant and equipment primarily consist of (i) buildings, (ii) plant and machinery, (iii) furniture and fixtures, (iv) motor vehicles, (v) building improvement, (vi) electronic equipment (vii) construction in progress. The following table sets forth a breakdown of our inventories as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | |
| Buildings | 371,600 | 368,786 | 352,314 |
| Plant and machinery | 112,074 | 144,811 | 170,679 |
| Furniture and fixtures | 17,271 | 13,310 | 9,417 |
| Motor vehicles | 842 | 901 | 1,908 |
| Building improvement | 5,962 | 4,166 | 2,858 |
| Electronic equipment | 2,180 | 2,156 | 2,266 |
| Construction in progress | 10,002 | 29,362 | 52,796 |
| **Total** | **519,931** | **563,492** | **592,238** |

Our property, plant and equipment increased from RMB519.9 million as of December 31, 2022 to RMB563.5 million as of December 31, 2023, primarily due to (i) an increase in construction in progress in relation to certain production facilities for pitted prunes, snack products and plum jelly products, and (ii) an increase in plant and machinery. Our property, plant and equipment further increased to RMB592.2 million as of December 31, 2024, primarily due to an increase in construction in progress in relation to Liuliu Orchard exhibition hall, the production lines of dried plum snacks and the equipment for the plum jelly production facilities.

**Right-of-use Assets**

Our right-of-use assets primarily consist of (i) leasehold land and (ii) offices.

Our right-of-use assets remained relatively stable at RMB90.9 million as of December 31, 2022 and RMB90.9 million as of December 31, 2023. Our right-of-use assets decreased from RMB90.9 million as of December 31, 2023 to RMB86.5 million as of December 31, 2024, primarily due to amortization to the leasehold land and office premises.

**Other Intangible Assets**

Our other intangible assets primarily consist of (i) software such as the ERP system, the human resource management system and the quality tracking system, and (ii) licenses, including the emission permit.

Our other intangible assets decreased from RMB3.2 million as of December 31, 2022 to RMB2.9 million as of December 31, 2023, and further decreased to RMB2.4 million as of December 31, 2024, primarily due to the amortization to the software and licenses.

**Prepayments, Other Receivables and Other Assets**

The current portion of our prepayments, other receivables and other assets primarily includes (i) prepayments to suppliers, (ii) value-added tax recoverable deductible, (iii) advertising endorsement fee, (iv) deposits, (v) receivable from employees, (vi) other receivables, (vii) due from related parties and (viii) impairment allowance.

The non-current portion of our prepayments, other receivables and other assets represents prepayments for long-term assets. These primarily consist of advance payments for the procurement of equipment for production lines and warehousing, as well as construction prepayments.

The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | |
| **Current** | | | |
| Prepayments to suppliers | 25,691 | 27,363 | 35,274 |
| Value-added tax recoverable | 15,053 | 16,147 | 15,286 |
| Advertising endorsement fee | 11,716 | 7,556 | 10,595 |
| Deposits | 4,903 | 5,200 | 16,363 |
| Receivables from employees | 5,572 | 5,430 | 4,633 |
| Other receivables | 15,282 | 7,969 | 32,328 |
| Deferred [REDACTED] | – | – | [REDACTED] |
| Due from a director | 100 | – | – |
| Impairment allowance | (321) | (335) | (655) |
| | **77,996** | **69,330** | **115,236** |
| **Non-current** | | | |
| Prepayments for equipment | 16,857 | 12,291 | 32,133 |
| | **16,857** | **12,291** | **32,133** |
| **Total** | **94,853** | **81,621** | **147,369** |

The current portion of our prepayments, other receivables and other assets decreased from RMB78.0 million as of December 31, 2022 to RMB69.3 million as of December 31, 2023, primarily due to (i) a decrease in other receivables, which primarily include receivables from e-commerce platforms in relation to product sales and (ii) a decrease in advertising endorsement fee. Our current portion of our prepayments, other receivables and other assets increased from RMB69.3 million as of December 31, 2023 to RMB115.2 million as of December 31, 2024, primarily due to (i) an increased in prepayment to suppliers for raw materials, (ii) an increase in deposits for participation in land auctions and (iii) an increase in other receivables in relation to government grants and subsidies.

The non-current portion of our prepayments, other receivables and other assets decreased, representing the prepayment for equipment in relation to the expansion and upgrading of our production facilities, amounted to RMB16.9 million, RMB12.3 million and RMB32.1 million in 2022, 2023 and 2024, respectively.

**Inventories**

Our inventories primarily consist of (i) work-in-progress which mainly includes plums in flavoring process, (ii) raw materials, primarily including packaging materials and ingredients for plum jelly such as locust bean gum and konjac, and (iii) finished goods and goods in transit. The following table sets forth a breakdown of our inventories as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | |
| Work-in-progress | 269,724 | 306,122 | 338,019 |
| Raw materials | 44,314 | 52,305 | 77,472 |
| Finished goods and goods in transit | 48,988 | 67,507 | 108,210 |
| **Total** | **363,026** | **425,934** | **523,701** |

Our inventories increased from RMB363.0 million as of December 31, 2022 to RMB425.9 million as of December 31, 2023, primarily due to our proactive increase in overall inventory reserves based on market demand forecasts. Our inventories increased from RMB425.9 million as of December 31, 2023 to RMB523.7 million as of December 31, 2024, primarily due to (i) our proactive increase in inventory reserves based on overall market demand forecasts, and (ii) an increase in goods in transit as our customers stocked up in anticipation of surging sales before the Chinese New Year, which occurred earlier in 2025 compared to the previous year.

The following table sets forth our inventory turnover days and the turnover days of certain types of inventories for the years indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| Inventory turnover days(1) | 186.5 | 181.7 | 167.7 |

*Note:*

(1) Inventory turnover days for a year equal the average of the gross value of the opening and closing inventory balance divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 365 days for each year.

Our inventory turnover days were 186.5 days, 181.7 days and 167.7 days for the years ended December 31, 2022, 2023 and 2024. We have relatively long inventory turnover days, primarily because we maintain a sufficient volume of work-in-progress, which consists mainly of plums in pickling phase with an extended storage period.

As of February 28, 2025, RMB201.6 million, or 38.5% of our inventories as of December 31, 2024, had been consumed or sold.

**Trade and Bills Receivables**

The following table sets forth a breakdown of our trade and bills receivables as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | (RMB in thousands) | | |
| Trade receivables | 80,777 | 84,013 | 168,283 |
| Impairment | (4,847) | (5,499) | (7,322) |
| Trade receivables, net | 75,930 | 78,514 | 160,961 |
| Bills receivable | 2,611 | 2,012 | 1,967 |
| **Trade and bills receivables** | **78,541** | **80,526** | **162,928** |

Our trade and bills receivables increased from RMB78.5 million as of December 31, 2022 to RMB80.5 million as of December 31, 2023, which was in line with our sales growth. Our trade and bills receivables further increased to RMB162.9 million as of December 31, 2024, primarily because our customers normally stock up in anticipation of surging sales before the Chinese New Year, which occurred earlier in 2025 compared to the previous year.

We generally grant a credit period of one month to our retailer customers, and may extend up to 30 to 60 days for major retailer customers. The following table sets forth an aging analysis of our trade receivables, based on the invoice date and net of provisions, as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | (RMB in thousands) | | |
| Within three months | 56,780 | 44,481 | 127,960 |
| Three to six months | 5,710 | 5,875 | 4,359 |
| Six to twelve months | 5,907 | 7,832 | 7,807 |
| Over one year | 7,533 | 20,326 | 20,835 |
| **Total** | **75,930** | **78,514** | **160,961** |

Our trade receivables aged within three months decreased from RMB56.8 million as of December 31, 2022 to RMB44.5 million as of December 31, 2023, and increased to RMB128.0 million as of December 31, 2024. The fluctuations were primarily influenced by our customers' mass procurement in preparation of the Chinese New Year, which varies in timing each year.

Our trade receivables aged over one year increased from RMB7.5 million as of December 31, 2022 to RMB20.3 million as of December 31, 2023 and remained relatively stable at RMB20.8 million as of December 31, 2024, primarily attributable to our settlement with a few retail customers who have consistently demonstrated good credit histories and with whom we have established long-term business relationships.

The following table sets forth the turnover days of our trade and bills receivables for the years indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| Trade and bills receivables turnover days[(1)] | 22.6 | 23.4 | 28.9 |

*Note:*

(1) Trade and bills receivables turnover days for a year equal the average of opening and closing balance of trade and bills receivables for the relevant year divided by revenue for the relevant year and multiplied by the number of days in the relevant year, which is 365 days for each year.

As of February 28, 2025, RMB83.1 million, or 49.4% of our trade receivables as of December 31, 2024 had been settled.

**Trade and Bills Payables**

The following table sets forth a breakdown of our trade and bills payables as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | |
| Trade payables | 139,256 | 128,792 | 213,148 |
| Bills payable | 53,690 | 56,165 | 77,761 |
| **Total** | **192,946** | **184,957** | **290,909** |

Our trade and bills payables remained relatively stable at RMB192.9 million as of December 31, 2022 and RMB185.0 million as of December 31, 2023. Our trade and bills payables increased to RMB290.9 million as of December 31, 2024, primarily due to the procurement of raw materials as our business operations expanded and the strong market performance of certain new products.

The following table sets forth the turnover days of our trade and bills payables for the years indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| Trade and bills payables turnover days[(1)] | 86.5 | 87.0 | 84.0 |

*Note:*

(1) Trade and bills payables turnover days for a year equal the average of opening and closing balance of trade and bills payables for the relevant year divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 365 days for each year.

As we normally timely fulfill payment obligations under our agreements, our trade and bills payables turnover days remained relatively stable during the Track Record Period.

As of February 28, 2025, RMB121.0 million, or 56.8% of our trade payables as of December 31, 2024 had been settled.

**Other Payables and Accruals**

Our other payables and accruals primarily consist of (i) contract liabilities, (ii) payables for purchase of property, plant and equipment, (iii) payroll payables, (iv) other tax payables, (v) deposits, (vi) accrued expenses, and (vii) other payables.

| | As of December 31, | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *(RMB in thousands)* | | |
| Contract liabilities | 108,844 | 122,252 | 73,226 |
| Payables for purchase of property, plant and equipment | 33,345 | 43,367 | 37,710 |
| Payroll payables | 28,109 | 30,505 | 37,121 |
| Other tax payables | 29,055 | 25,579 | 27,564 |
| Deposits | 21,362 | 21,589 | 21,402 |
| Accrued expenses | 22,016 | 19,100 | 37,740 |
| Due to related parties | 172 | 28 | 28 |
| Other payables | 11,299 | 18,559 | 23,884 |
| **Total** | **254,202** | **280,979** | **258,675** |

Our other payables and accruals increased from RMB254.2 million as of December 31, 2022 to RMB281.0 million as of December 31, 2023, and decreased to RMB258.7 million as of December 31, 2024.

Contract liabilities mainly arise from the advance payments received from distributors while the underlying goods are yet to be provided. The increase of contract liabilities in 2023 was in line with the growth of our sales to distributors. The decrease of contract liabilities in 2024 was mainly due to the shift in sales focus to direct sales channels and a decrease in sales to distributors in 2024.

Payroll payables increased during the Track Record Period due to the expansion of our business, which led to an increase in our workforce.

Other payables represent unsecured, non-interest-bearing and repayable on demand.

### Financial Assets at Fair Value Through Other Comprehensive Income

The financial assets at FVOCI which are bills receivable from certain prestigious banks, are held by us for collecting the expected cash flows and exploring opportunities for sale. Our financial assets at fair value through other comprehensive income were RMB0.2 million, RMB1.0 million and RMB30 thousand as of December 31, 2022, 2023 and 2024.

### Financial Liabilities at FVTPL

Our fair value losses of financial liabilities at fair value through profit or loss primarily arose from our repurchase rights and other embedded derivatives associated with special rights granted to shareholders. See Note 24 to the Accountants' Report in Appendix I to this document.

Our financial liabilities at FVTPL decreased from RMB462.7 million as of December 31, 2022 to RMB468.7 million as of December 31, 2023, primarily due to our repurchase rights and associated with special rights granted to Series A, Series B and Series C investors.

Our financial liabilities at FVTPL decreased from RMB468.7 million as of December 31, 2023 to RMB171.1 million as of December 31, 2024, primarily due to the termination of special rights granted to investor.

## LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity has been and is expected to continue to be cash generated from operations, capital investment from shareholders together with available credit facilities and bank borrowings. Our liquidity requirements primarily relate to funding our working capital requirements and our capital expenditures. Our ability to generate cash flow from operations depends on our future operating performance, which is in turn dependent on general economic, financial, competitive, market and other factors, many of which are beyond our control. See "Risk Factors" for a discussion of certain factors that could affect our operations.

**Net Current Assets/(Liabilities)**

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

The following table sets forth our current assets and liabilities as of the dates indicated:

| | As of December 31, | | | As of February 28, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *(RMB in thousands)* | | | |
| | | | | (Unaudited) |
| **Current assets** | | | | |
| Inventories | 363,026 | 425,934 | 523,701 | 529,111 |
| Trade and bills receivables | 78,541 | 80,526 | 162,928 | 154,282 |
| Prepayments, other receivables and other assets | 77,996 | 69,330 | 115,236 | 81,899 |
| Income tax recoverable | 6 | 129 | 6,501 | 422 |
| Financial assets at fair value through other comprehensive income ("**FVOCI**") | 155 | 983 | 30 | – |
| Pledged bank deposits | 36,991 | 34,732 | 49,662 | 55,817 |
| Cash and cash equivalents | 74,451 | 67,392 | 78,047 | 51,039 |
| **Total current assets** | **631,166** | **679,026** | **936,105** | **872,570** |
| **Current liabilities** | | | | |
| Financial liabilities at FVTPL | 462,651 | 262,535 | 171,109 | 75,000 |
| Trade and bills payables | 192,946 | 184,957 | 290,909 | 363,600 |
| Other payables and accruals | 254,202 | 280,979 | 258,675 | 203,733 |
| Interest-bearing bank borrowings | 223,816 | 180,197 | 321,333 | 309,989 |
| Income tax payable | 3,976 | 7,420 | 6,478 | 5,280 |
| Lease liabilities | 766 | 1,965 | 784 | 772 |
| **Total current liabilities** | **1,138,357** | **918,053** | **1,049,288** | **958,374** |
| **Net current assets/ (liabilities)** | **(507,191)** | **(239,027)** | **(113,183)** | **(85,804)** |

Our net current liabilities decreased from RMB113.2 million as of December 31, 2024 to RMB85.8 million as of February 28, 2025, primarily due to (i) a decrease in financial liabilities at FVTPL and (ii) a decrease in other payables and accruals, partially offset by a decrease in cash and cash equivalents.

Our net current liabilities decreased from RMB239.0 million as of December 31, 2023 to RMB113.2 million as of December 31, 2024, primarily due to (i) an increase in inventories, (ii) a decrease in financial liabilities at FVTPL and (iii) an increase in trade and bills receivables, partially offset by (i) an increase in trade and bills payables and (ii) an increase in interest-bearing bank borrowings.

Our net current liabilities decreased from RMB507.2 million as of December 31, 2022 to RMB239.0 million as of December 31, 2023, primarily due to (i) a decrease in financial liabilities at FVTPL, (ii) an increase in inventories and (iii) a decrease in interest-bearing bank borrowings, partially offset by an increase in other payables and accruals.

**Cash Flow**

The table below sets forth selected cash flow statement information from our consolidated statements of cash flows for the years indicated:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *(RMB in thousands)* | | |
| Net cash flows from operating activities | 202,298 | 126,903 | 84,374 |
| Net cash flows used in investing activities | (94,742) | (80,634) | (110,117) |
| Net cash flows (used in)/from financing activities | (84,728) | (53,328) | 36,398 |
| **Net increase/(decrease) in cash and cash equivalents** | **22,828** | **(7,059)** | **10,655** |
| Cash and cash equivalents at beginning of the year | 51,623 | 74,451 | 67,392 |
| **Cash and cash equivalents at end of the year** | **74,451** | **67,392** | **78,047** |

***Net Cash Flows from Operating Activities***

Net cash generated from operating activities primarily comprised our profit before tax for the period adjusted by (i) non-cash items, (ii) changes in working capital and (iii) the effect of interest received and income taxes paid.

In 2024, we had net cash flows generated from operating activities of RMB84.4 million, primarily reflecting profit before tax of RMB180.4 million, by non-cash and other items to arrive at an operating profit before changes in working capital of RMB253.2 million. Our movements in working capital primarily reflect (i) an increased in inventories of RMB98.4 million, (ii) an increase in trade and bills receivables of RMB84.2 million and (iii) an increase in prepayments, other receivables and other assets of RMB46.2 million, partially offset by an increase in trade and bills payables of RMB106.6 million.

In 2023, we had net cash flows generated from operating activities of RMB126.9 million, primarily reflecting profit before tax of RMB110.6 million, by non-cash and other items to arrive at an operating profit before changes in working capital of RMB181.4 million. Our movements in working capital primarily reflect (i) an increased in inventories of RMB64.1 million and (ii) a decrease in trade and bills payables of RMB8.1 million, partially offset by (i) an increase in other payables and accruals of RMB16.8 million and (ii) a decrease in prepayments, other receivables and other assets of RMB8.7 million.

In 2022, we had net cash flows generated from operating activities of RMB202.3 million, primarily reflecting profit before tax of RMB77.2 million, by non-cash and other items to arrive at an operating profit before changes in working capital of RMB137.9 million. Our movements in working capital primarily reflect (i) an increase in trade and bills payables of RMB44.3 million and (ii) an increase in other payables and accruals of RMB45.3 million, partially offset by (i) an increase in trade and bills receivables of RMB21.5 million and (ii) an increase in pledged bank deposits of RMB10.8 million.

***Net Cash Flows Used in Investing Activities***

In 2024, we had net cash flows used in investing activities of RMB110.1 million. This was mainly attributable to purchase of items of property, plant and equipment of RMB110.3 million, partially offset by proceeds from disposal of items of property, plant and equipment of RMB0.2 million.

In 2023, we had net cash flows used in investing activities of RMB80.6 million. This was mainly attributable to purchase of items of property, plant and equipment of RMB80.2 million, (ii) purchase of other intangible assets of RMB0.3 million and (iii) purchase of leasehold land of RMB0.2 million.

In 2022, we had net cash flows used in investing activities of RMB94.7 million. This was mainly attributable to purchase of items of property, plant and equipment of RMB94.8 million.

***Net Cash Flows (Used in)/From Financing Activities***

In 2024, we had net cash flows from financing activities of RMB36.4 million. This was mainly attributable to (i) new bank loans of RMB368.8 million and (ii) investment from a new investor of RMB40.0 million, partially offset by (i) repayment of bank loans of RMB227.8 million, (ii) payment for repurchase of shares issued to an investor of RMB135.0 million and (iii) interest paid of RMB7.7 million.

In 2023, we had net cash flows used in financing activities of RMB53.3 million. This was mainly attributable to (i) repayment of bank loans of RMB351.8 million and (ii) interest paid of RMB8.2 million, partially offset by new bank loans of RMB308.4 million.

In 2022, we had net cash flows used in financing activities of RMB84.7 million. This was mainly attributable to (i) repayment of bank loans of RMB349.8 million and (ii) interest paid of RMB10.9 million, partially offset by new bank loans of RMB276.7 million.

## INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

| | As of December 31, | | | As of February 28, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *(RMB in thousands)* | | | |
| | | | | (Unaudited) |
| **Current** | | | | |
| Interest-bearing bank borrowings | 223,816 | 180,197 | 321,333 | 309,989 |
| Lease liabilities | 766 | 1,965 | 784 | 772 |
| **Non-Current** | | | | |
| Lease liabilities | 1,063 | 1,930 | 1,146 | 1,154 |
| **Total** | **225,645** | **184,092** | **323,263** | **311,915** |

Our interest-bearing bank borrowings were primarily unsecured bank loans, with effective interest rates ranging from 2.05% to 4.58% per annum. As of December 31, 2022, 2023 and 2024 and February 28, 2025, our interest-bearing bank borrowings were RMB223.8 million, RMB180.2 million, RMB321.3 million and RMB310.0 million. In January 2025, the Group obtained new unutilized banking facilities from bank amounting to RMB110.0 million. As of February 28, 2025, we had unutilized banking facilities of RMB39.0 million.

Our bank borrowings agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. As of the Latest Practicable Date, the agreements relating to our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining credit facilities, withdrawal of facilities or requests for early repayment. For details, see Note 23 to the Accountants' Report in Appendix I to this document.

As of December 31, 2022, 2023 and 2024, our current and non-current lease liabilities were RMB1.8 million, RMB3.9 million and RMB1.9 million, respectively, primarily representing our outstanding payment in relation to leases of equipment and properties.

Save as disclosed in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of February 28, 2025.

Our Directors confirm that there has not been any material change in our indebtedness since February 28, 2025 up to the date of this document.

## CAPITAL COMMITMENTS

Our capital commitments are related to contracted, but not provided for purchase of property, plant and equipment.

The following table sets forth details of our capital commitments as of the dates indicated:

| | **As of December 31,** | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *(RMB in thousands)* | | |
| Contracted, but not provided for purchase of property, plant and equipment | 30,411 | 46,129 | 34,285 |
| **Total** | **30,411** | **46,129** | **34,285** |

## CAPITAL EXPENDITURES

Our capital expenditures primarily consist of (i) purchase of items of property, plant and equipment, and (ii) purchase of other intangible assets.

The table below outlines our capital expenditures for the years indicated:

| | **Year ended December 31,** | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *(RMB in thousands)* | | |
| Purchase of items of property, plant and equipment | 94,762 | 80,232 | 110,259 |
| Purchase of other intangible assets | 38 | 270 | 32 |
| **Total** | **94,800** | **80,502** | **110,291** |

For details on our major capital expenditure projects, see "Business — Our Production — Our Production Expansion Plan."

## CONTINGENT LIABILITIES

As of December 31, 2024, we were not subject to any material contingent liabilities.

## OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2024, we did not have any outstanding off-balance sheet arrangements.

## MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 33 to the Accountants' Report in Appendix I to this document.

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 33 to the Accountants' Report in Appendix I to this document was conducted in the ordinary course of business on an arm's length basis and on normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

## KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for the years/periods indicated:

| | As of/Year ended December 31, | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | *(%)* | |
| Gross profit margin | 38.6 | 40.1 | 36.0 |
| Current ratio(1) | 55.4 | 74.0 | 89.2 |
| Quick ratio(2) | 23.6 | 27.6 | 39.3 |
| Gearing ratio(3) | 134.9 | 67.9 | 52.0 |

*Note:*

(1) Current ratio is calculated based on current assets divided by current liabilities and multiplied by 100%.

(2) Quick ratio is calculated based on current assets less inventories divided by current liabilities and multiplied by 100%.

(3) Gearing ratio is calculated based on interest-bearing bank borrowings divided by total equity and multiplied by 100%.

## FINANCIAL RISK MANAGEMENT

Our principal financial instruments comprise financial liabilities at FVTPL, interest-bearing bank borrowings, and cash and bank balances. The main purpose of these financial instruments is to raise finance for our Group's operations. We have various other financial assets and liabilities such as trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables and financial liabilities included in other payables and accruals which arise directly from our operations.

The main risks arising from our financial instruments are interest rate risk, credit risk and liquidity risk. Our board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

### Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our Group's short term obligations with floating interest rates.

After the assessment, our Directors consider that the Group's exposure to interest risk is not significant.

### Credit risk

At the end of each year of the Track Record Period, we had concentration of credit risk as 82.13%, 74.13% and 71.31% of our trade receivables and trade receivables were due from our five largest customers, respectively. Our cash and cash equivalents are mainly deposited with state-owned banks and other medium or large-sized listed banks in Mainland China. The carrying amounts of trade and bills receivables, financial assets included in prepayments, other receivables and other assets, pledged bank deposits, cash and cash equivalents included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk.

We trade only with recognized and creditworthy third parties. Concentrations of credit risk are managed through customer/counterparty analysis. In addition, receivable balances are monitored on an ongoing basis.

### Liquidity risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

**Capital management**

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize equity holders' value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

## DIVIDENDS AND DIVIDEND POLICY

No dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any dividend policy or fixed dividend pay-out ratio. We may distribute dividends by way of cash or by other means that our Board considers appropriate. Distribution of dividends is subject to the discretion of our Board and, if necessary, the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

## WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us including our cash and cash equivalents on hand, unutilized banking facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

## DISTRIBUTABLE RESERVES

As of December 31, 2024, we had distributable reserves of RMB294.9 million available for distribution to our shareholders.

## [REDACTED] EXPENSES

[REDACTED] expenses consist of professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] of approximately HK$[REDACTED] million (based on the mid-point of the indicative [REDACTED] range and assuming the [REDACTED] is not exercised), which accounts for approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. We estimate the [REDACTED] to consist of approximately HK$[REDACTED] million in [REDACTED] fees and HK$[REDACTED] million in non-[REDACTED] fees. Among of the total [REDACTED], approximately HK$[REDACTED] million will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the [REDACTED], and the remaining HK$[REDACTED] million will be expensed in our consolidated statements of comprehensive income. Our Directors do not expect such expenses to materially impact our results of operations in 2025.

## [REDACTED] ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this document for details on our [REDACTED] adjusted consolidated net tangible assets.

## NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position, indebtedness, mortgages, contingent liabilities, guarantees or prospects since December 31, 2024, the end of the period reported on the Accountants' Report in Appendix I to this document.

## DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FUTURE PLANS

See "Business — Our Growth Strategies" for a detailed discussion of our future plans.

## USE OF [REDACTED]

Assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] Range of between HK$[REDACTED] and HK$[REDACTED] per [REDACTED]), we estimate that we will receive [REDACTED] of approximately HK$[REDACTED] million from the [REDACTED] after deducting the [REDACTED] and other estimated expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] million, will be used to expand our production capacity for dried plum snacks, plum jelly and product ingredients over the next three years. The market for plum-based products has been growing rapidly. With utilization rates close to 90% during each period of the Track Record Period, we plan to seize the growing market opportunities by establishing new production plants to better meet the increasing consumer demand. In particular:

  (i) Approximately [REDACTED]% of the net [REDACTED], or approximately HK$[REDACTED] million, will be used to establish specialized production plants for our plum products in major plum sourcing regions, enabling us to process fruits at peak freshness. To meet growing consumer demand, we plan to establish two production plants dedicated to the production of dried plum snacks and other dried fruit products. The specialized focus of each facility will enable us to implement precise quality control measures and optimize production processes specific to each product variety. We plan to construct the factory buildings, purchase production line machinery and equipment, and procure necessary manufacturing systems tailored to each facility's specific requirements.

  (ii) Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] million, will be used to expand our production capacity by constructing new production plants and establishing production lines for plum jelly. We plan to expand our facilities to meet the increasing consumer demand for plum jelly products. We plan to construct the factory buildings, purchase production line machinery and equipment, and procure necessary manufacturing systems.

  (iii) Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] million, will be used to establish a new warehouse and logistic facility. To support our store expansion and ensure that we provide fresh and high-quality green-plum nectar, we plan to purchase warehouse racking system and cold storage facilities. We also intend to invest in automated and intelligent warehousing equipment and systems to manage product receiving and dispatching, inventory management, product information tracking, and delivery routes, enhancing our warehouse operating efficiency.

(iv) Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] million, will be used to establish a new production plant for product ingredients such as fruit nectar. This plant addresses our need for increased ingredient production capacity as our product categories grow, ensuring continuous and efficient manufacturing processes.

- Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] million, will be used to enhance our brand recognition, expand our sales network and explore international markets over the next year. In particular:

  (i) Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] million, will be used for brand marketing and promotion. As the market leader in the plum-based product industry and the ambassador of plum culture, we aim to continue implementing effective marketing strategies to strengthen consumer awareness of plum products and enhance brand popularity. To cultivate our brand image that appeals to various consumer demographics, we plan to deepen our engagement with customers through a variety of online and offline marketing activities, including festival campaigns, and endorsements by KOLs and celebrities. We also plan to continue our strategic collaborations with popular brands among young consumers to launch co-branded products.

  (ii) Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] million, will be used to expand our sales network and explore international markets. We plan to reinforce our partnerships with KA customers, launching customized products and co-branded products that meet evolving consumer preferences and amplify our brand exposure. To enhance the synergy between our online and offline sales, we plan to enhance product displays at retail locations while increasing our presence on mainstream Chinese e-commerce platforms. Beyond the domestic market, we aspire to extend our reach in international markets. Leveraging our overseas business department established in 2024, we will target markets with significant Asian communities or consumers with dietary preferences for plum-based products.

- Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] million, will be used to recruit R&D personnel and advance our R&D initiatives. We plan to recruit R&D personnel over the next three years to facilitate our strategy to enrich product offerings. We aim to further diversify our portfolio by fully exploring the value of plums in other product categories such as confectioneries, beverages, condiments and other innovative product offerings, and identifying new consumption scenarios for plum-based products.

- Approximately [REDACTED]% of the [REDACTED], or approximately HK$[REDACTED] million, will be used for working capital and general corporate purposes.

In the event that the [REDACTED] is set at the maximum [REDACTED] or the minimum [REDACTED] of the indicative [REDACTED] range, the [REDACTED] of the [REDACTED] will increase or decrease by approximately HK$[REDACTED] million, respectively.

The additional [REDACTED] that we would receive if the [REDACTED] is exercised in full would be (i) HK$[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the maximum [REDACTED]), (ii) HK$[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range) and (iii) HK$[REDACTED] million (assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the minimum [REDACTED]).

To the extent that the [REDACTED] from the [REDACTED] (including the [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we may adjust our allocation of the [REDACTED] for the above purposes on a pro rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the [REDACTED] from the [REDACTED].

To the extent that the [REDACTED] of the [REDACTED] are not immediately used for the above purposes, we will only deposit those [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

**[REDACTED]**

[REDACTED]

# [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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*The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

***[To insert the firm's letterhead]***

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LIULIU ORCHARD GROUP CO., LTD., CITIC SECURITIES (HONG KONG) LIMITED AND GUOYUAN CAPITAL (HONG KONG) LIMITED**

**Introduction**

We report on the historical financial information of Liuliu Orchard Group Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-79, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2022, 2023 and 2024 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-3 to I-79 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "**Document**") in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022, 2023 and 2024, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

***Dividends***

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[ • ]
*Certified Public Accountants*
Hong Kong
[Date]

## I. HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2022 | 2023 | 2024 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| REVENUE | 5 | 1,174,046 | 1,322,042 | 1,616,018 |
| Cost of sales | | (720,880) | (792,331) | (1,033,553) |
| Gross profit | | 453,166 | 529,711 | 582,465 |
| Other income and gains | 6 | 25,082 | 27,962 | 39,572 |
| Selling and distribution expenses | | (282,712) | (309,395) | (310,170) |
| Administrative expenses | | (82,373) | (88,691) | (100,180) |
| Research and development expenses | | (23,677) | (33,612) | (18,948) |
| Finance costs | 8 | (10,665) | (7,966) | (7,773) |
| Fair value loss on financial liabilities at fair value through profit or loss ("FVTPL") | | (511) | (6,026) | (1,625) |
| Impairment loss on trade receivables and other receivables, net | | (890) | (719) | (2,143) |
| Other expenses | | (262) | (661) | (791) |
| PROFIT BEFORE TAX | 7 | 77,158 | 110,603 | 180,407 |
| Income tax expense | 11 | (8,726) | (11,372) | (32,688) |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 68,432 | 99,231 | 147,719 |
| Attributable to: | | | | |
| Owners of the Company | | 68,432 | 99,231 | 147,719 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | | |
| Basic and diluted (RMB) | 13 | 0.90 | 1.31 | 1.95 |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | As at 31 December | | |
|---|---|---|---|---|
| | | 2022 | 2023 | 2024 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 14 | 519,931 | 563,492 | 592,238 |
| Right-of-use assets | 15 | 90,877 | 90,897 | 86,494 |
| Other intangible assets | 16 | 3,215 | 2,856 | 2,385 |
| Prepayments, other receivables and other assets | 19 | 16,857 | 12,291 | 32,133 |
| Deferred tax assets | 25 | 47,072 | 46,100 | 21,612 |
| Total non-current assets | | 677,952 | 715,636 | 734,862 |
| CURRENT ASSETS | | | | |
| Inventories | 17 | 363,026 | 425,934 | 523,701 |
| Trade and bills receivables | 18 | 78,541 | 80,526 | 162,928 |
| Prepayments, other receivables and other assets | 19 | 77,996 | 69,330 | 115,236 |
| Income tax recoverable | | 6 | 129 | 6,501 |
| Financial assets at fair value through other comprehensive income ("FVOCI") | | 155 | 983 | 30 |
| Pledged bank deposits | 20 | 36,991 | 34,732 | 49,662 |
| Cash and cash equivalents | 20 | 74,451 | 67,392 | 78,047 |
| Total current assets | | 631,166 | 679,026 | 936,105 |
| CURRENT LIABILITIES | | | | |
| Financial liabilities at FVTPL | 24 | 462,651 | 262,535 | 171,109 |
| Trade and bills payables | 21 | 192,946 | 184,957 | 290,909 |
| Other payables and accruals | 22 | 254,202 | 280,979 | 258,675 |
| Interest-bearing bank borrowings | 23 | 223,816 | 180,197 | 321,333 |
| Income tax payable | | 3,976 | 7,420 | 6,478 |
| Lease liabilities | 15 | 766 | 1,965 | 784 |
| Total current liabilities | | 1,138,357 | 918,053 | 1,049,288 |
| NET CURRENT LIABILITIES | | (507,191) | (239,027) | (113,183) |

| | | As at 31 December | | |
|---|---|---|---|---|
| | | **2022** | **2023** | **2024** |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 170,761 | 476,609 | 621,679 |
| NON-CURRENT LIABILITIES | | | | |
| Financial liabilities at FVTPL | 24 | – | 206,142 | – |
| Lease liabilities | 15 | 1,063 | 1,930 | 1,146 |
| Deferred income | | 3,801 | 3,072 | 2,585 |
| Total non-current liabilities | | 4,864 | 211,144 | 3,731 |
| Net assets | | 165,897 | 265,465 | 617,948 |
| EQUITY | | | | |
| Equity attributable to owners of the Company | | | | |
| Share capital | 26 | 75,665 | 75,665 | 75,665 |
| Reserves | 27 | 90,232 | 189,800 | 542,283 |
| Total equity | | 165,897 | 265,465 | 617,948 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### Year ended 31 December 2022

| | Share capital | Capital reserve | Statutory reserve | (Accumulated loss)/retained profits | Total |
|---|---|---|---|---|---|
| | *(note 26)* | *(note 27)* | *(note 27)* | *(note 27)* | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2022 | 75,665 | 29,616 | 12,408 | (20,492) | 97,197 |
| Profit and total comprehensive income for the year | – | – | – | 68,432 | 68,432 |
| Equity-settled share-based payment expenses *(note 28)* | – | 268 | – | – | 268 |
| At 31 December 2022 | 75,665 | 29,884* | 12,408* | 47,940* | 165,897 |

### Year ended 31 December 2023

| | Share capital | Capital reserve | Statutory reserve | Retained profits | Total |
|---|---|---|---|---|---|
| | *(note 26)* | *(note 27)* | *(note 27)* | *(note 27)* | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2023 | 75,665 | 29,884 | 12,408 | 47,940 | 165,897 |
| Profit and total comprehensive income for the year | – | – | – | 99,231 | 99,231 |
| Equity-settled share-based payment expenses *(note 28)* | – | 337 | – | – | 337 |
| At 31 December 2023 | 75,665 | 30,221* | 12,408* | 147,171* | 265,465 |

**Year ended 31 December 2024**

| | **Share capital** | **Capital reserve** | **Statutory reserve** | **Retained profits** | **Total** |
|---|---|---|---|---|---|
| | *(note 26)* | *(note 27)* | *(note 27)* | *(note 27)* | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2024 | 75,665 | 30,221 | 12,408 | 147,171 | 265,465 |
| Profit and total comprehensive income for the year | – | – | – | 147,719 | 147,719 |
| Derecognition of redemption liabilities due to cancellation of redemption rights *(note 24)* | – | 204,193 | – | – | 204,193 |
| Equity-settled share-based payment expenses *(note 28)* | – | 571 | – | – | 571 |
| At 31 December 2024 | 75,665 | 234,985* | 12,408* | 294,890* | 617,948 |

* These reserve accounts comprise the reserves of RMB90,232,000, RMB189,800,000 and RMB542,283,000 in the consolidated statements of financial position as at 31 December 2022, 2023 and 2024, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2022 | 2023 | 2024 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before tax: | | 77,158 | 110,603 | 180,407 |
| Adjustments for: | | | | |
| Finance costs | 8 | 10,665 | 7,966 | 7,773 |
| Interest income | 6 | (314) | (665) | (547) |
| Fair value loss on financial liabilities at FVTPL | 7 | 511 | 6,026 | 1,625 |
| Depreciation of property, plant and equipment | 14 | 44,933 | 51,255 | 55,852 |
| Depreciation of right-of-use assets | 15(a) | 2,671 | 3,939 | 4,403 |
| Amortisation of other intangible assets | 16 | 742 | 629 | 503 |
| Impairment of trade and bills receivables, net | 18 | 760 | 705 | 1,823 |
| Impairment of other receivables, net | 19 | 130 | 14 | 320 |
| Gain on disposal of items of property, plant and equipment | 7 | (4) | (14) | (12) |
| Equity-settled share-based payment expenses | 28 | 268 | 337 | 571 |
| Foreign exchange loss, net | 7 | 56 | 146 | 309 |
| Write-down of inventories to net realisable value | 7 | 940 | 1,165 | 638 |
| Government grants | 6 | (589) | (729) | (487) |
| | | 137,927 | 181,377 | 253,178 |

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | **2022** | **2023** | **2024** |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| Decrease/(increase) in inventories | | 9,885 | (64,073) | (98,405) |
| Increase in trade and bills receivables | | (21,511) | (3,518) | (84,225) |
| (Increase)/decrease in prepayments, other receivables and other assets | | (1,763) | 8,652 | (46,226) |
| (Increase)/decrease in pledge bank deposits | | (10,756) | 2,259 | (14,930) |
| Increase/(decrease) in trade and bills payables | | 44,294 | (8,135) | 106,596 |
| Increase/(decrease) in other payables and accruals | | 45,255 | 16,755 | (16,647) |
| Cash generated from operations | | 203,331 | 133,317 | 99,341 |
| Interest received | | 314 | 665 | 547 |
| Income tax paid | | (1,347) | (7,079) | (15,514) |
| Net cash flows from operating activities | | 202,298 | 126,903 | 84,374 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of items of property, plant and equipment | | (94,762) | (80,232) | (110,259) |
| Proceeds from disposal of items of property, plant and equipment | | 58 | 18 | 174 |
| Purchase of other intangible assets | | (38) | (270) | (32) |
| Purchase of leasehold land | | – | (150) | – |
| Net cash flows used in investing activities | | (94,742) | (80,634) | (110,117) |

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | **2022** | **2023** | **2024** |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Investment from a new investor | | – | – | 40,000 |
| Payment for repurchase of shares issued to an investor | 24 | – | – | (135,000) |
| New bank loans | | 276,720 | 308,400 | 368,840 |
| Repayment of bank loans | | (349,790) | (351,750) | (227,760) |
| Interest paid | | (10,895) | (8,235) | (7,717) |
| Principle portion of lease payments | | (763) | (1,743) | (1,965) |
| Net cash flows (used in)/from financing activities | | (84,728) | (53,328) | 36,398 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 22,828 | (7,059) | 10,655 |
| Cash and cash equivalents at beginning of year | | 51,623 | 74,451 | 67,392 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 74,451 | 67,392 | 78,047 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | | |
| Cash and bank balances | 20 | 111,442 | 102,124 | 127,709 |
| Less: Pledged bank deposits | 20 | (36,991) | (34,732) | (49,662) |
| Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows | 20 | 74,451 | 67,392 | 78,047 |

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | | As at 31 December | | |
|---|---|---|---|---|
| | | 2022 | 2023 | 2024 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| NON-CURRENT ASSETS | | | | |
| Investments in subsidiaries | 37 | 290,326 | 290,326 | 341,729 |
| Property, plant and equipment | 14 | 268,842 | 278,710 | 276,447 |
| Right-of-use assets | | 22,896 | 22,370 | 21,739 |
| Other intangible assets | | 3,052 | 2,791 | 2,352 |
| Prepayments, other receivables and other assets | 19 | 3,307 | 2,246 | 6,218 |
| Deferred tax assets | | 3,298 | 3,476 | 2,071 |
| Total non-current assets | | 591,721 | 599,919 | 650,556 |
| CURRENT ASSETS | | | | |
| Inventories | 17 | 82,922 | 122,298 | 151,449 |
| Trade and bills receivables | 18 | 55,627 | 57,860 | 84,032 |
| Prepayments, other receivables and other assets | 19 | 514,629 | 390,279 | 380,155 |
| Financial assets at FVOCI | | 55 | 319 | – |
| Pledged bank deposits | 20 | 32,964 | 28,707 | 37,448 |
| Cash and cash equivalents | 20 | 35,652 | 48,361 | 46,603 |
| Total current assets | | 721,849 | 647,824 | 699,687 |
| CURRENT LIABILITIES | | | | |
| Financial liabilities at FVTPL | 24 | 462,651 | 262,535 | 171,109 |
| Trade and bills payables | 21 | 115,058 | 102,721 | 159,876 |
| Other payables and accruals | 22 | 534,554 | 530,276 | 596,623 |
| Interest-bearing bank borrowings | 23 | 186,768 | 122,601 | 174,172 |
| Income tax payable | | 367 | 1,707 | 3,546 |
| Total current liabilities | | 1,299,398 | 1,019,840 | 1,105,326 |
| NET CURRENT LIABILITIES | | (577,549) | (372,016) | (405,639) |

| | | As at 31 December | | |
|---|---|---|---|---|
| | | **2022** | **2023** | **2024** |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 14,172 | 227,903 | 244,917 |
| NON-CURRENT LIABILITIES | | | | |
| Financial liabilities at FVTPL | 24 | – | 206,142 | – |
| Deferred income | | 2,033 | 1,585 | 1,138 |
| Total non-current liabilities | | 2,033 | 207,727 | 1,138 |
| Net assets | | 12,139 | 20,176 | 243,779 |
| EQUITY | | | | |
| Share capital | 26 | 75,665 | 75,665 | 75,665 |
| Reserves | 27 | (63,526) | (55,489) | 168,114 |
| Total equity | | 12,139 | 20,176 | 243,779 |

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China ("**PRC**"). The registered office of the Company is located at Economic Development Zone, Fanchang County, Wuhu City, Anhui Province, PRC.

During the Relevant Periods, the Company and its subsidiaries (together, the "**Group**") were involved in the manufacture and sale of consumer goods in the PRC. The ultimate controlling shareholder of the Group is Mr. Yang Fan.

As at the date of this report, the Company had direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

| Name* | Date of registration and place of operations | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | *Direct* | *Indirect* | |
| Fujian Qingmei Town Co., Ltd. (福建青梅小鎮有限公司) | 26 September 2016 PRC/Mainland China | RMB100,000,000 | 100% | – | Procurement and preliminary processing of agricultural products |
| Anhui Liuliu Orchard New Retail Marketing Co., Ltd. (安徽溜溜果園新零售營銷有限公司) | 23 August 2018 PRC/Mainland China | RMB10,000,000 | 100% | – | Sale of food |
| Anhui Liuliu Orchard Sales Co., Ltd. (安徽溜溜果園銷售有限公司) | 2 July 2018 PRC/ Mainland China | RMB10,000,000 | 100% | – | Sale of food |
| Fujian Liuliu Orchard Food Co., Ltd. (福建溜溜果園食品有限公司)** | 25 May 2009 PRC/Mainland China | RMB15,000,000 | 100% | – | Processing of agricultural products |
| Fujian Liuliumei Agricultural Technology Co., Ltd. (福建溜溜梅農業科技有限公司) | 17 December 2014 PRC/Mainland China | RMB10,000,000 | 100% | – | Procurement and preliminary processing of agricultural products |
| Anhui Liuliu Plum Research Institute Co., Ltd. (安徽溜溜梅研究院有限公司)*** | 28 November 2016 PRC/Mainland China | RMB10,000,000 | 100% | – | Research and development of new products |
| Anhui Liuliumei Agricultural Technology Co., Ltd. (安徽溜溜梅農業科技有限公司)** | 11 March 2015 PRC/Mainland China | RMB10,000,000 | 100% | – | Procurement and preliminary processing of agricultural products |
| Qingmei Town Development Co., Ltd. (青梅小鎮發展有限公司) | 29 December 2016 PRC/Mainland China | RMB20,000,000 | 100% | – | Promotion of plum culture |

| Name* | Date of registration and place of operations | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | *Direct* | *Indirect* | |
| Zhaoan Liuliu Orchard Food Co., Ltd.** (詔安溜溜果園食品有限公司) | 27 September 2010 PRC/Mainland China | RMB22,000,000 | 100% | – | Processing of agricultural products |
| Anhui Liuliu Orchard Ecommerce Co., Ltd. (安徽溜溜果園電子商務有限公司)** | 18 April 1999 PRC/Mainland China | RMB5,000,000 | 100% | – | Manufacture of food |
| Guangxi Liuliumei Agricultural Technology Co., Ltd. (廣西溜溜梅農業科技有限公司) | 5 June 2020 PRC/Mainland China | RMB10,000,000 | 100% | – | Procurement and preliminary processing of agricultural products |
| Guangxi Liuliu Orchard Industrial Park Co., Ltd. (廣西溜溜果園產業園有限公司) | 22 April 2019 PRC/Mainland China | RMB50,000,000 | 100% | – | Processing of agricultural products |
| Anhui Liuliumei Biotechnology Co., Ltd. (安徽溜溜梅生物科技有限公司) | 16 May 2024 PRC/Mainland China | RMB10,000,000 | 100% | – | Manufacture of food |
| Wuhu Plum Jelly Natural Food Technology Co., Ltd. (蕪湖梅凍天然食品科技有限公司)** | 24 February 2022 PRC/Mainland China | RMB50,000,000 | 100% | – | Manufacture of food |
| Anhui Zhongnongan Inspection and Testing Center Co., Ltd. (安徽中農安檢驗檢測中心有限公司) | 26 December 2016 PRC/Mainland China | RMB10,000,000 | – | 100% | Inspection and testing of food |

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

** The statutory financial statements of these companies for the years ended 31 December 2022 and 2023 prepared in accordance with PRC generally accepted accounting principles ("**PRC GAAP**") and regulations were audited by Da Hua CPAs LLP. (大華會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

*** The statutory financial statements of this company for the year ended 31 December 2023 prepared in accordance with PRC generally accepted accounting principles ("**PRC GAAP**") and regulations were audited by Da Hua CPAs LLP., certified public accountants registered in the PRC.

No statutory audited financial statements of these companies have been prepared for the year ended 31 December 2024.

### 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

As at 31 December 2024, the Group had net current liabilities of approximately RMB113,183,000 primarily due to the redemption liabilities, further details of which are given in note 24 to the Historical Financial Information. In January 2025, the Group obtained a new unutilised banking facilities from bank amounted to RMB110,000,000. After taking into account the available facilities from banks and cash flows from operations for the twelve months from 31 December 2024, the directors of the Company believe that the Group will have sufficient financial resources to settle the borrowings and payments that will be due within next twelve months. Therefore, the directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at FVOCI and financial liabilities at FVTPL which have been measured at fair value.

**Basis of consolidation**

The Historical Financial Information include the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

| | |
|---|---|
| IFRS 18 | *Presentation and Disclosure in Financial Statements*[3] |
| IFRS 19 | *Subsidiaries without Public Accountability: Disclosures*[3] |
| Amendments to IFRS 9 and IFRS 7 | *Amendments to the Classification and Measurement of Financial Instruments*[2] |
| Amendments to IFRS 9 and IFRS 7 | *Contracts Referencing Nature-dependent Electricity*[2] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendments to IAS 21 | *Lack of Exchangeability*[1] |
| *Annual Improvements to IFRS Accounting Standards — Volume 11* | *Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[2] |

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRS Accounting Standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. It also requires disclosure of management-defined performance measures in a note and includes new requirements for aggregation and disaggregation of financial information. Narrow scope amendments have been made to IAS 7 *Statement of Cash Flows*, and some requirements previously included within IAS 1 have been moved to IAS 8, which has been renamed IAS 8 *Basis of Preparation of Financial Statements*. The new requirements are expected to impact the Group's presentation in the statement of profit or loss and other comprehensive income and disclosures of the Group's financial performance. Currently, the Group considers that these new and revised IFRS Accounting Standards are unlikely to have a significant impact on the Group's financial performance and financial position.

## 2.3 MATERIAL ACCOUNTING POLICIES

**Fair value measurement**

The Group measures its financial assets at FVOCI and financial liabilities at FVTPL at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

**Related parties**

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| Category | Principal annual rate | Estimated residual value rate |
|---|---|---|
| Buildings | 4.75% | 5.00% |
| Plant and machinery | 9.50% to 31.67% | 5.00% |
| Furniture and fixtures | 19.00% to 47.50% | 5.00% |
| Motor vehicles | 19.00% to 47.50% | 5.00% |
| Electronic equipment | 19.00% to 31.67% | 5.00% |
| Building improvement | 20.00% to 50.00% | – |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

***Software***

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years. The software's useful life is based on the period over which future economic benefits will be obtained by the Group. The technological lifespan of the software which can produce economic benefits is 5 years.

***Licences***

Purchased licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years, which is the licence period.

***Research and development costs***

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Leasehold land | 5 to 50 years |
| Office premises | 2 to 5 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

*(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of office premises and pickling pools (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases to office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**Investments and other financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Financial assets at FVOCI (debt instruments)*

For debt investments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at FVOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables, which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

***Write-off***

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

***Simplified approach***

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include financial liabilities at FVTPL, lease liabilities, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings.

***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

*Financial liabilities at amortised cost (trade and other payables, and borrowings)*

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

Cash and cash equivalents in the statements of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

**Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

***Sale of goods***

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The costs of transporting finished goods to customers are recognised in selling and distribution expenses when incurred.

Some contracts for the sale of goods provide customers with rights to return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

*(a) Rights of return*

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

*(b) Volume rebates*

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

***Other income***

Sale of scraps and raw materials is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the scraps and raw materials. Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Share-based payments**

The Company operates share incentive plans. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is estimated using different methods for each of the incentive plans, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

**Other employee benefits**

***Pension scheme***

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Events after the reporting period**

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

**Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

**Foreign currencies**

The Historical Financial Information is presented in RMB, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

***Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The Group applies judgement in evaluating whether or not all attaching conditions will be complied with, taking into account of all relevant factors, and the information available.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Variable consideration for volume rebates***

The Group estimates variable consideration to be included in the transaction price for the sale of goods with volume rebates.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to the volume threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group updates its assessment of expected volume rebates accordingly. Estimates of expected volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of actual rebate entitlements in the future.

***Provision for expected credit losses on trade and financial assets included in prepayments, other receivables and other assets***

The Group uses external credit ratings and historical credit loss experience of the industry to calculate ECLs for trade receivables under simplified approach and for financial assets included in prepayments, other receivables and other assets under general approach.

The observed default rates of the industry are adjusted with forward-looking information. For instance, if forecast economic conditions (i.e., total retail sales of social consumer goods) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industry, the historical default rates are adjusted. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and financial assets included in prepayments, other receivables and other assets are disclosed in notes 18 and 19 to the Historical Financial Information, respectively.

***Impairment of non-financial assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are set forth in note 14, note 15, note 16 and note 19 to the Historical Financial Information.

***Provision for inventories***

The Group's inventories are stated at the lower of cost and net realisable value. The Group's provision for its inventories is based on estimates of the realisable value with reference to the ageing and condition of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed annually for provision, if appropriate. Further details of the inventories are set out in note 17 to the Historical Financial Information.

***Deferred tax assets***

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 25 to the Historical Financial Information.

## 4. OPERATING SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

During the Relevant Periods, the Group was principally engaged in the manufacturing and sale of consumer goods in Mainland China.

**Geographical information**

No geographical information is presented as the Group's revenue from external customers is mainly derived from its operations in Mainland China and no non-current assets of the Group are located outside Mainland China during the Relevant Periods.

**Information about major customers**

Revenue from each major customer, which accounted for 10% or more of the Group's revenue during the Relevant Periods is set out below:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Customer A | NA* | NA* | 228,568 |
| Customer B | NA* | NA* | 193,365 |

* No sales to a single customer accounted for 10% or more of the Group's revenue during the years ended 31 December 2022 and 2023.

**5. REVENUE**

Revenue represents income from the sale of consumer goods during the Relevant Periods.

An analysis of revenue is as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue from contracts with customers** | | | |
| Sale of goods | 1,174,046 | 1,322,042 | 1,616,018 |

**Revenue from contracts with customers**

***(a) Disaggregated revenue information***

| | Year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Types of goods** | | | |
| Sale of goods | 1,174,046 | 1,322,042 | 1,616,018 |
| **Geographical markets** | | | |
| Mainland China | 1,173,836 | 1,321,685 | 1,613,518 |
| Overseas | 210 | 357 | 2,500 |
| Total | 1,174,046 | 1,322,042 | 1,616,018 |
| **Timing of revenue recognition** | | | |
| Goods transferred at a point in time | 1,174,046 | 1,322,042 | 1,616,018 |

The following table shows the amounts of revenue recognised in each of the Relevant Periods that were included in the contract liabilities at the beginning of each of these periods:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue recognised that was included in contract liabilities at beginning of the reporting period: | | | |
| Sale of goods | 73,085 | 108,844 | 122,252 |

**Performance obligations**

Information about the Group's performance obligations is summarised below:

***Sale of goods***

The performance obligation is satisfied when the customer takes possession of and accepts the products and payment is generally made in advance or within 30 to 60 days of customer's acceptance.

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year or less.

## 6. OTHER INCOME AND GAINS

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | **2022** | **2023** | **2024** |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| Other income | | | | |
| Government grants and subsidies | | | | |
| Related to income | (i) | 14,071 | 18,780 | 33,326 |
| Related to assets | (ii) | 589 | 729 | 487 |
| Sale of scraps and raw materials | | | | |
| Proceeds income related to scraps and raw materials | | 12,958 | 15,362 | 14,070 |
| Cost related to scraps and raw materials | | (3,239) | (9,005) | (10,137) |
| Bank interest income | | 314 | 665 | 547 |
| Others | | 305 | 312 | 514 |
| Total other income | | 24,998 | 26,843 | 38,807 |
| Gains | | | | |
| Gain on disposal of items of property, plant and equipment | | 4 | 14 | 12 |
| Compensation | | 80 | 1,105 | 753 |
| Total gains | | 84 | 1,119 | 765 |
| Total other income and gains | | 25,082 | 27,962 | 39,572 |

(i) The government grants and subsidies related to income were rewarded for the Group's contribution to the local economic growth. These grants related to income are recognised in profit or loss where there is reasonable assurance that the grants will be received or upon receipt. There are no unfulfilled conditions or contingencies relating to these grants.

(ii) The Group has received certain government grants related to the investments in production plants. The grants related to assets were recognised as deferred income upon receipt. There are no unfulfilled conditions or contingencies relating to these grants.

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2022 | 2023 | 2024 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost of inventories sold* | | 720,880 | 792,331 | 1,033,553 |
| Depreciation of property, plant and equipment | 14 | 44,933 | 51,255 | 55,852 |
| Depreciation of right-of-use assets | 15(a) | 2,671 | 3,939 | 4,403 |
| Lease payments not included in the measurement of lease liabilities | 15(c) | 4,622 | 2,910 | 3,749 |
| Amortisation of other intangible assets** | 16 | 742 | 629 | 503 |
| Transportation expenses | | 47,576 | 53,744 | 64,607 |
| Research and development costs*** | | 23,677 | 33,612 | 18,948 |
| [REDACTED] | | – | – | [REDACTED] |
| Employee benefit expense (excluding directors' and chief executives' remuneration as set out in note 9): | | | | |
| Wages and salaries | | 188,269 | 211,106 | 244,505 |
| Equity-settled share-based payment expenses | | 239 | 279 | 415 |
| Pension scheme contributions | | 11,050 | 16,726 | 18,607 |
| Other employee benefits | | 8,831 | 9,298 | 8,178 |
| Total | | 208,389 | 237,409 | 271,705 |
| Foreign exchange differences, net | | 56 | 146 | 309 |
| Fair value loss on financial liabilities at FVTPL | | 511 | 6,026 | 1,625 |
| Write-down of inventories to net realisable value | | 940 | 1,165 | 638 |
| Impairment of trade and bills receivables, net | 18 | 760 | 705 | 1,823 |
| Impairment of other receivables, net | 19 | 130 | 14 | 320 |
| Gain on disposal of items of property, plant and equipment | 6 | (4) | (14) | (12) |

* Cost of inventories sold includes expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses. Amounts of RMB91,362,000, RMB103,126,000 and RMB141,018,000 of employee benefit expense were included in "cost of inventories sold" for the years ended 31 December 2022, 2023 and 2024, respectively.

** The amortisation of other intangible assets is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

*** Research and development costs include expenses relating to depreciation of property, plant and equipment and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses. Amounts of RMB6,185,000, RMB8,281,000 and RMB7,475,000 of employee benefit expense were included in "research and development costs" for the years ended 31 December 2022, 2023 and 2024, respectively.

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest on bank loans | 10,596 | 7,817 | 7,652 |
| Interest on lease liabilities | 69 | 149 | 121 |
| Total | 10,665 | 7,966 | 7,773 |

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods is as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Fees | 45 | – | – |
| Other emoluments: | | | |
| Salaries, allowances and benefits in kind | 2,152 | 1,764 | 2,416 |
| Performance related bonuses* | 293 | 452 | 426 |
| Pension scheme contributions | 33 | 84 | 156 |
| Equity-settled share-based payment expenses | 29 | 58 | 156 |
| Subtotal | 2,507 | 2,358 | 3,154 |
| Total | 2,552 | 2,358 | 3,154 |

* Certain executive directors of the Company are entitled to bonus payments which are related to the operating profit of the Group.

**(a) Independent non-executive directors**

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Mr. Ma Hongji** | 15 | – | – |
| Mr. Lu Jian** | 15 | – | – |
| Mr. Yang Chonghuai** | 15 | – | – |
| Total | 45 | – | – |

** Mr. Ma Hongji, Mr. Lu Jian and Mr. Yang Chonghuai resigned as independent non-executive directors of the Company effective from 28 March 2022.

*** The Company appointed Mr. Liu Feng, Mr. Xiong Hui, Mr. Lu Jian as independent non-executive directors effective from 15 January 2025.

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

**(b) Executive directors, a non-executive director and the chief executive**

| | Fees | Salaries, allowances and benefits in kind | Performance related bonuses | Equity-settled share-based payment expenses | Pension scheme contributions | Total remuneration |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Year ended 31 December 2022 | | | | | | |
| Chief executive: | | | | | | |
| Mr. Yang Fan | – | 964 | 55 | – | 7 | 1,026 |
| Executive directors: | | | | | | |
| Ms. Li Huimin | – | 125 | 10 | – | 7 | 142 |
| Mr. Ning Pengfei**** | – | 405 | 126 | – | 5 | 536 |
| Ms. Hu Yan | – | 293 | 52 | 8 | 7 | 360 |
| Mr. Ruan Quanbin | – | 365 | 50 | 21 | 7 | 443 |
| Subtotal | – | 1,188 | 238 | 29 | 26 | 1,481 |
| Non-executive director: | | | | | | |
| Mr. Guo Zhenwei***** | – | – | – | – | – | – |
| Total | – | 2,152 | 293 | 29 | 33 | 2,507 |

**** Mr. Ning Pengfei resigned from the Company on 24 October 2022 and was reappointed effective from 15 September 2023.

***** Mr. Guo Zhenwei resigned as a non-executive director of the Company effective from 28 March 2022.

| | Fees | Salaries, allowances and benefits in kind | Performance related bonuses | Equity-settled share-based payment expenses | Pension scheme contributions | Total remuneration |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Year ended 31 December 2023 | | | | | | |
| Chief executive: | | | | | | |
| Mr. Yang Fan | – | 758 | 284 | – | 39 | 1,081 |
| Executive directors: | | | | | | |
| Ms. Li Huimin | – | 127 | – | – | 8 | 135 |
| Mr. Ning Pengfei**** | – | 104 | – | 29 | 13 | 146 |
| Ms. Hu Yan | – | 335 | 67 | 8 | 12 | 422 |
| Mr. Ruan Quanbin | – | 440 | 101 | 21 | 12 | 574 |
| Subtotal | – | 1,006 | 168 | 58 | 45 | 1,277 |
| Total | – | 1,764 | 452 | 58 | 84 | 2,358 |

| | Fees | Salaries, allowances and benefits in kind | Performance related bonuses | Equity-settled share-based payment expenses | Pension scheme contributions | Total remuneration |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Year ended 31 December 2024 | | | | | | |
| Chief executive: | | | | | | |
| Mr. Yang Fan | – | 866 | 125 | – | 39 | 1,030 |
| Executive directors: | | | | | | |
| Ms. Li Huimin | – | 134 | 6 | – | 12 | 152 |
| Mr. Ning Pengfei | – | 546 | 66 | 127 | 39 | 778 |
| Ms. Hu Yan | – | 371 | 59 | 8 | 27 | 465 |
| Mr. Ruan Quanbin | – | 499 | 170 | 21 | 39 | 729 |
| Subtotal | – | 1,550 | 301 | 156 | 117 | 2,124 |
| Total | – | 2,416 | 426 | 156 | 156 | 3,154 |

****** The Company appointed Mr. Gou Bin, Mr. Mei Huixiang as executive directors effective from 15 January 2025 and appointed Mr. Xu Lianzheng as a non-executive director effective from 15 January 2025.

******* Ms. Li Huimin and Mr. Ruan Quanbin resigned as executive directors of the Company effective from 15 January 2025.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2022, 2023 and 2024 included two directors, one director and one director, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration for the years ended 31 December 2022, 2023 and 2024 of the remaining three, four and four highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries, allowances and benefits in kind | 1,648 | 3,681 | 3,227 |
| Performance related bonuses | 110 | 538 | 424 |
| Equity-settled share-based payment expenses | 46 | 22 | 71 |
| Pension scheme contributions | 25 | 164 | 109 |
| Total | 1,829 | 4,405 | 3,831 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| Nil to HK$500,000 | – | – | – |
| HK$500,001 to HK$1,000,000 | 3 | – | 2 |
| HK$1,000,001 to HK$1,500,000 | – | 4 | 2 |
| Total | 3 | 4 | 4 |

## 11. INCOME TAX

The income tax expense of the Group for the Relevant Periods is analysed as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current — Mainland China: | | | |
| Charge for the years | 3,856 | 10,400 | 8,200 |
| Deferred *(note 25)* | 4,870 | 972 | 24,488 |
| Total | 8,726 | 11,372 | 32,688 |

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Profit before tax | 77,158 | 110,603 | 180,407 |
| Tax at the statutory tax rate of 25% (I) | 19,290 | 27,651 | 45,102 |
| Effect of different tax rate (II) | (1,739) | (1,501) | (1,659) |
| Expenses not deductible for tax | 458 | 1,904 | 754 |
| Effect of tax concessions (III) | (4,939) | (9,318) | (7,663) |
| Tax losses utilised from previous periods | – | – | (520) |
| Tax losses not recognised | 500 | 322 | 815 |
| Tax incentive for research and development expenses (IV) | (4,844) | (7,686) | (4,141) |
| Tax charge at the Group's effective tax rate | 8,726 | 11,372 | 32,688 |

(I) The Company and the subsidiaries of the Group established in the PRC are subject to the PRC Corporate Income Tax at 25% for each of the Relevant Periods.

(II) Certain of the Group's subsidiaries are qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 2.5% to 5% during the year ended 31 December 2022 and 5% during the years ended 31 December 2023 and 2024, respectively.

A subsidiary of the Group in Mainland China was approved as a High and New Technology Enterprise in 2022 and it was entitled to a preferential corporate income tax rate of 15% for the years ended 31 December 2022, 2023 and 2024. This qualification is subject to review by the relevant tax authority in the PRC every three years.

(III) Certain subsidiaries were granted tax exemptions in accordance with the policy of "The notice of preferential tax policy for preliminary processing of agriculture products".

(IV) According to relevant laws and regulations, enterprises engaging in research and development activities are entitled to claim a 200% deduction as tax deductible expenses when determining their taxable profits for the year (the "Super Deduction"). Management has made their best estimate for the Super Deduction to be claimed in ascertaining the assessable profits during the Relevant Periods.

**12. DIVIDENDS**

No dividend has been paid or declared by the Company in respect of the Relevant Periods.

**13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of basic earnings per share amounts during the years ended 31 December 2022, 2023 and 2024 is based on the profit attributable to ordinary equity holders of the Company for the years ended 31 December 2022, 2023 and 2024 and the weighted average number of 75,665,000 ordinary shares outstanding during the years ended 31 December 2022, 2023 and 2024.

The Group had no potentially dilutive ordinary shares in issue throughout the Relevant Periods.

## 14. PROPERTY, PLANT AND EQUIPMENT

| Group | Buildings | Building improvement | Plant and machinery | Furniture and fixtures | Motor vehicles | Electronic equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2022** | | | | | | | | |
| At 1 January 2022 | | | | | | | | |
| Cost | 469,814 | 11,655 | 137,465 | 31,946 | 7,563 | 7,244 | 13,390 | 679,077 |
| Accumulated depreciation | (107,685) | (3,553) | (63,589) | (13,133) | (6,391) | (5,185) | – | (199,536) |
| Net carrying amount | 362,129 | 8,102 | 73,876 | 18,813 | 1,172 | 2,059 | 13,390 | 479,541 |
| At 1 January 2022, net of accumulated depreciation | 362,129 | 8,102 | 73,876 | 18,813 | 1,172 | 2,059 | 13,390 | 479,541 |
| Additions | – | 303 | 49,722 | 4,046 | 44 | 1,011 | 30,251 | 85,377 |
| Disposals | – | – | (13) | – | (41) | – | – | (54) |
| Depreciation provided during the year | (22,522) | (2,443) | (13,157) | (5,588) | (333) | (890) | – | (44,933) |
| Transfers | 31,993 | – | 1,646 | – | – | – | (33,639) | – |
| At 31 December 2022, net of accumulated depreciation | 371,600 | 5,962 | 112,074 | 17,271 | 842 | 2,180 | 10,002 | 519,931 |
| At 31 December 2022 | | | | | | | | |
| Cost | 501,807 | 11,958 | 188,582 | 35,992 | 6,783 | 8,255 | 10,002 | 763,379 |
| Accumulated depreciation | (130,207) | (5,996) | (76,508) | (18,721) | (5,941) | (6,075) | – | (243,448) |
| Net carrying amount | 371,600 | 5,962 | 112,074 | 17,271 | 842 | 2,180 | 10,002 | 519,931 |

| Group | Buildings | Building improvement | Plant and machinery | Furniture and fixtures | Motor vehicles | Electronic equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2023** | | | | | | | | |
| At 1 January 2023 | | | | | | | | |
| Cost | 501,807 | 11,958 | 188,582 | 35,992 | 6,783 | 8,255 | 10,002 | 763,379 |
| Accumulated depreciation | (130,207) | (5,996) | (76,508) | (18,721) | (5,941) | (6,075) | – | (243,448) |
| Net carrying amount | 371,600 | 5,962 | 112,074 | 17,271 | 842 | 2,180 | 10,002 | 519,931 |
| At 1 January 2023, net of accumulated depreciation | 371,600 | 5,962 | 112,074 | 17,271 | 842 | 2,180 | 10,002 | 519,931 |
| Additions | – | 421 | 7,156 | 1,379 | 330 | 834 | 84,700 | 94,820 |
| Disposals | – | – | – | – | (3) | (1) | – | (4) |
| Depreciation provided during the year | (24,315) | (2,217) | (18,258) | (5,340) | (268) | (857) | – | (51,255) |
| Transfers | 21,501 | – | 43,839 | – | – | – | (65,340) | – |
| At 31 December 2023, net of accumulated depreciation | 368,786 | 4,166 | 144,811 | 13,310 | 901 | 2,156 | 29,362 | 563,492 |
| At 31 December 2023 | | | | | | | | |
| Cost | 523,308 | 12,379 | 239,569 | 37,371 | 7,054 | 9,085 | 29,362 | 858,128 |
| Accumulated depreciation | (154,522) | (8,213) | (94,758) | (24,061) | (6,153) | (6,929) | – | (294,636) |
| Net carrying amount | 368,786 | 4,166 | 144,811 | 13,310 | 901 | 2,156 | 29,362 | 563,492 |

| Group | Buildings | Building improvement | Plant and machinery | Furniture and fixtures | Motor vehicles | Electronic equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2024** | | | | | | | | |
| At 1 January 2024 | | | | | | | | |
| Cost | 523,308 | 12,379 | 239,569 | 37,371 | 7,054 | 9,085 | 29,362 | 858,128 |
| Accumulated depreciation | (154,522) | (8,213) | (94,758) | (24,061) | (6,153) | (6,929) | – | (294,636) |
| Net carrying amount | 368,786 | 4,166 | 144,811 | 13,310 | 901 | 2,156 | 29,362 | 563,492 |
| At 31 December 2024, net of accumulated depreciation | 368,786 | 4,166 | 144,811 | 13,310 | 901 | 2,156 | 29,362 | 563,492 |
| Additions | – | 41 | 11,239 | 998 | 1,270 | 891 | 70,321 | 84,760 |
| Disposals | – | – | (150) | – | (12) | – | – | (162) |
| Depreciation provided during the year | (25,397) | (1,931) | (22,601) | (4,891) | (251) | (781) | – | (55,852) |
| Transfers | 8,925 | 582 | 37,380 | – | – | – | (46,887) | – |
| At 31 December 2024, net of accumulated depreciation | 352,314 | 2,858 | 170,679 | 9,417 | 1,908 | 2,266 | 52,796 | 592,238 |
| At 31 December 2024 | | | | | | | | |
| Cost | 532,233 | 13,002 | 287,424 | 38,369 | 8,077 | 9,976 | 52,796 | 941,877 |
| Accumulated depreciation | (179,919) | (10,144) | (116,745) | (28,952) | (6,169) | (7,710) | – | (349,639) |
| Net carrying amount | 352,314 | 2,858 | 170,679 | 9,417 | 1,908 | 2,266 | 52,796 | 592,238 |

Certain buildings had not completed property registration. The carrying amount of these buildings as at 31 December 2022, 2023 and 2024 were RMB25,465,000, RMB24,186,000, and RMB22,827,000, respectively.

| Company | Buildings | Building improvement | Plant and machinery | Furniture and fixtures | Motor vehicles | Electronic equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2022** | | | | | | | | |
| At 1 January 2022 | | | | | | | | |
| Cost | 235,820 | 879 | 67,822 | 10,399 | 3,931 | 4,384 | 12,338 | 335,573 |
| Accumulated depreciation | (56,856) | (147) | (31,259) | (8,702) | (3,447) | (2,998) | – | (103,409) |
| Net carrying amount | 178,964 | 732 | 36,563 | 1,697 | 484 | 1,386 | 12,338 | 232,164 |
| At 1 January 2022, net of accumulated depreciation | 178,964 | 732 | 36,563 | 1,697 | 484 | 1,386 | 12,338 | 232,164 |
| Additions | – | 302 | 41,622 | 614 | – | 475 | 12,451 | 55,464 |
| Disposals | – | – | – | – | (32) | – | – | (32) |
| Depreciation provided during the year | (11,005) | (123) | (6,208) | (741) | (197) | (480) | – | (18,754) |
| Transfers | 19,244 | – | 897 | – | – | – | (20,141) | – |
| At 31 December 2022, net of accumulated depreciation | 187,203 | 911 | 72,874 | 1,570 | 255 | 1,381 | 4,648 | 268,842 |
| At 31 December 2022 | | | | | | | | |
| Cost | 255,064 | 1,181 | 110,341 | 11,013 | 3,286 | 4,859 | 4,648 | 390,392 |
| Accumulated depreciation | (67,861) | (270) | (37,467) | (9,443) | (3,031) | (3,478) | – | (121,550) |
| Net carrying amount | 187,203 | 911 | 72,874 | 1,570 | 255 | 1,381 | 4,648 | 268,842 |

| **Company** | **Buildings** | **Building improvement** | **Plant and machinery** | **Furniture and fixtures** | **Motor vehicles** | **Electronic equipment** | **Construction in progress** | **Total** |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2023** | | | | | | | | |
| At 1 January 2023 | | | | | | | | |
| Cost | 255,064 | 1,181 | 110,341 | 11,013 | 3,286 | 4,859 | 4,648 | 390,392 |
| Accumulated depreciation | (67,861) | (270) | (37,467) | (9,443) | (3,031) | (3,478) | – | (121,550) |
| Net carrying amount | 187,203 | 911 | 72,874 | 1,570 | 255 | 1,381 | 4,648 | 268,842 |
| At 1 January 2023, net of accumulated depreciation | 187,203 | 911 | 72,874 | 1,570 | 255 | 1,381 | 4,648 | 268,842 |
| Additions | – | 65 | 2,204 | 230 | 108 | 81 | 30,802 | 33,490 |
| Disposals | – | – | – | – | – | (1) | – | (1) |
| Depreciation provided during the year | (12,200) | (148) | (10,225) | (479) | (111) | (458) | – | (23,621) |
| Transfers | 10,135 | – | 7,175 | – | – | – | (17,310) | – |
| At 31 December 2023, net of accumulated depreciation | 185,138 | 828 | 72,028 | 1,321 | 252 | 1,003 | 18,140 | 278,710 |
| At 31 December 2023 | | | | | | | | |
| Cost | 265,199 | 1,246 | 119,720 | 11,243 | 3,389 | 4,937 | 18,140 | 423,874 |
| Accumulated depreciation | (80,061) | (418) | (47,692) | (9,922) | (3,137) | (3,934) | – | (145,164) |
| Net carrying amount | 185,138 | 828 | 72,028 | 1,321 | 252 | 1,003 | 18,140 | 278,710 |

| **Company** | **Buildings** | **Building improvement** | **Plant and machinery** | **Furniture and fixtures** | **Motor vehicles** | **Electronic equipment** | **Construction in progress** | **Total** |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2024** | | | | | | | | |
| At 1 January 2024 | | | | | | | | |
| Cost | 265,199 | 1,246 | 119,720 | 11,243 | 3,389 | 4,937 | 18,140 | 423,874 |
| Accumulated depreciation | (80,061) | (418) | (47,692) | (9,922) | (3,137) | (3,934) | – | (145,164) |
| Net carrying amount | 185,138 | 828 | 72,028 | 1,321 | 252 | 1,003 | 18,140 | 278,710 |
| At 31 December 2024, net of accumulated depreciation | 185,138 | 828 | 72,028 | 1,321 | 252 | 1,003 | 18,140 | 278,710 |
| Additions | – | – | 1,418 | 14 | 296 | 335 | 20,266 | 22,329 |
| Disposals | – | – | – | – | (12) | – | – | (12) |
| Depreciation provided during the year | (12,759) | (153) | (10,965) | (232) | (56) | (415) | – | (24,580) |
| Transfers | 4,146 | – | 13,582 | – | – | – | (17,728) | – |
| At 31 December 2024, net of accumulated depreciation | 176,525 | 675 | 76,063 | 1,103 | 480 | 923 | 20,678 | 276,447 |
| At 31 December 2024 | | | | | | | | |
| Cost | 269,345 | 1,246 | 134,720 | 11,257 | 3,438 | 5,272 | 20,678 | 445,956 |
| Accumulated depreciation | (92,820) | (571) | (58,657) | (10,154) | (2,958) | (4,349) | – | (169,509) |
| Net carrying amount | 176,525 | 675 | 76,063 | 1,103 | 480 | 923 | 20,678 | 276,447 |

## 15. LEASES

**The Group as a lessee**

The Group has lease contracts for various items of office premises, equipment and others used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 5 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises generally have lease terms of 2 to 5 years. Other lease agreements generally have lease terms of 12 months or less and are individually of low value.

***(a) Right-of-use assets***

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

| | Leasehold land | Office premises | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2022 | 90,974 | 1,761 | 92,735 |
| Additions | – | 813 | 813 |
| Depreciation charge | (2,224) | (447) | (2,671) |
| As at 31 December 2022 and 1 January 2023 | 88,750 | 2,127 | 90,877 |
| Additions | 150 | 3,856 | 4,006 |
| Decrease as a result of lease modifications | – | (47) | (47) |
| Depreciation charge | (2,128) | (1,811) | (3,939) |
| As at 31 December 2023 and 1 January 2024 | 86,772 | 4,125 | 90,897 |
| Depreciation charge | (2,311) | (2,092) | (4,403) |
| As at 31 December 2024 | 84,461 | 2,033 | 86,494 |

***(b) Lease liabilities***

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount at 1 January | 1,779 | 1,829 | 3,895 |
| New leases | 813 | 3,856 | – |
| Accretion of interest recognised during the year | 69 | 149 | 121 |
| Payments | (832) | (1,892) | (2,086) |
| Lease modifications | – | (47) | – |
| Carrying amount at 31 December | 1,829 | 3,895 | 1,930 |
| Analysed into: | | | |
| Current portion | 766 | 1,965 | 784 |
| Non-current portion | 1,063 | 1,930 | 1,146 |

The maturity analysis of lease liabilities is disclosed in note 36 to the Historical Financial Information.

***(c)*** The amounts recognised in profit or loss in relation to leases are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest on lease liabilities | 69 | 149 | 121 |
| Depreciation charge of right-of-use assets | 2,671 | 3,939 | 4,403 |
| Expenses relating to short-term leases and leases of low-value assets (included in cost of sales, selling and distribution expenses or administrative expenses) | 4,622 | 2,910 | 3,749 |
| Total amount recognised in profit or loss | 7,362 | 6,998 | 8,273 |

***(d)*** The total cash outflow for leases is disclosed in note 29(b) to the Historical Financial Information.

## 16. OTHER INTANGIBLE ASSETS

| **Group** | **Software** | **Licences** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2022** | | | |
| At 1 January 2022: | | | |
| Cost | 4,615 | 1,393 | 6,008 |
| Accumulated amortisation | (1,576) | (513) | (2,089) |
| Net carrying amount | 3,039 | 880 | 3,919 |
| Cost at 1 January 2022, net of accumulated amortisation | 3,039 | 880 | 3,919 |
| Additions | 38 | – | 38 |
| Amortisation provided during the year | (669) | (73) | (742) |
| At 31 December 2022 | 2,408 | 807 | 3,215 |
| At 31 December 2022: | | | |
| Cost | 4,653 | 1,159 | 5,812 |
| Accumulated amortisation | (2,245) | (352) | (2,597) |
| Net carrying amount | 2,408 | 807 | 3,215 |

| **Group** | **Software** | **Licences** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2023** | | | |
| At 1 January 2023: | | | |
| Cost | 4,653 | 1,159 | 5,812 |
| Accumulated amortisation | (2,245) | (352) | (2,597) |
| Net carrying amount | 2,408 | 807 | 3,215 |
| Cost at 1 January 2023, net of accumulated amortisation | 2,408 | 807 | 3,215 |
| Additions | 266 | 4 | 270 |
| Amortisation provided during the year | (526) | (103) | (629) |
| At 31 December 2023 | 2,148 | 708 | 2,856 |
| At 31 December 2023: | | | |
| Cost | 4,919 | 1,163 | 6,082 |
| Accumulated amortisation | (2,771) | (455) | (3,226) |
| Net carrying amount | 2,148 | 708 | 2,856 |

| **Group** | **Software** | **Licences** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2024** | | | |
| At 1 January 2024: | | | |
| Cost | 4,919 | 1,163 | 6,082 |
| Accumulated amortisation | (2,771) | (455) | (3,226) |
| Net carrying amount | 2,148 | 708 | 2,856 |
| Cost at 1 January 2024, net of accumulated amortisation | 2,148 | 708 | 2,856 |
| Additions | – | 32 | 32 |
| Amortisation provided during the year | (439) | (64) | (503) |
| At 31 December 2024 | 1,709 | 676 | 2,385 |
| At 31 December 2024: | | | |
| Cost | 4,919 | 1,195 | 6,114 |
| Accumulated amortisation | (3,210) | (519) | (3,729) |
| Net carrying amount | 1,709 | 676 | 2,385 |

## 17. INVENTORIES

**Group**

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials | 44,314 | 52,305 | 77,472 |
| Work in progress | 269,724 | 306,122 | 338,019 |
| Finished goods and goods in transit | 48,988 | 67,507 | 108,210 |
| Total | 363,026 | 425,934 | 523,701 |

**Company**

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials | 19,134 | 24,533 | 27,241 |
| Work in progress | 48,627 | 74,339 | 84,210 |
| Finished goods and goods in transit | 15,161 | 23,426 | 39,998 |
| Total | 82,922 | 122,298 | 151,449 |

## 18. TRADE AND BILLS RECEIVABLES

**Group**

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 80,777 | 84,013 | 168,283 |
| Impairment | (4,847) | (5,499) | (7,322) |
| Trade receivables, net | 75,930 | 78,514 | 160,961 |
| Bills receivable | 2,611 | 2,012 | 1,967 |
| Trade and bills receivables | 78,541 | 80,526 | 162,928 |

The Group's trading terms with some customers are on credit. The credit term is generally one month, extending up to 30 to 60 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

All bills receivable of the Group are bank acceptance bills aged within 6 months. The Group considers that there is no material credit risk in the bank acceptance bills held by the Group.

An ageing analysis of the trade receivables of the Group as at the end of each of the Relevant Periods, based on the invoice date and net of allowance, is as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 3 months | 56,780 | 44,481 | 127,960 |
| 3 to 6 months | 5,710 | 5,875 | 4,359 |
| 6 to 12 months | 5,907 | 7,832 | 7,807 |
| Over one year | 7,533 | 20,326 | 20,835 |
| Total | 75,930 | 78,514 | 160,961 |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At beginning of year | 4,087 | 4,847 | 5,499 |
| Impairment losses, net *(note 7)* | 760 | 705 | 1,823 |
| Amount written off as uncollectible | – | (53) | – |
| At end of year | 4,847 | 5,499 | 7,322 |

An impairment test is performed at the end of each of the Relevant Periods by referencing to an external credit rating from Standard & Poor's or Moody's or assigning an internal credit rating with reference to the historical record of the Group and comparing it with companies with published ratings to determine the probability of default. Loss given default is estimated based on market information and is adjusted to reflect the effect of credit enhancement and other information of the specific debtors. The loss rate is then adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

| **Class of credit rating** | | **Expected credit loss rate** | **Gross carrying amount** | **Expected credit losses** |
|---|---|---|---|---|
| | *Notes* | *%* | *RMB'000* | *RMB'000* |
| 31 December 2022 | | | | |
| Class 1 | (i) | 0.56 | 14,919 | 83 |
| Class 2 | (ii) | 1.78 | 62,200 | 1,106 |
| Class 3 | (iii) | 100 | 3,658 | 3,658 |
| Total | | | 80,777 | 4,847 |

| Class of credit rating | | Expected credit loss rate | Gross carrying amount | Expected credit losses |
|---|---|---|---|---|
| | *Notes* | *%* | *RMB'000* | *RMB'000* |
| 31 December 2023 | | | | |
| Class 1 | (i) | 0.38 | 25,750 | 98 |
| Class 2 | (ii) | 3.19 | 54,605 | 1,743 |
| Class 3 | (iii) | 100 | 3,658 | 3,658 |
| Total | | | 84,013 | 5,499 |

| Class of credit rating | | Expected credit loss rate | Gross carrying amount | Expected credit losses |
|---|---|---|---|---|
| | *Notes* | *%* | *RMB'000* | *RMB'000* |
| 31 December 2024 | | | | |
| Class 1 | (i) | 0.08 | 42,761 | 33 |
| Class 2 | (ii) | 2.98 | 121,867 | 3,634 |
| Class 3 | (iii) | 100 | 3,655 | 3,655 |
| Total | | | 168,283 | 7,322 |

(i) Class 1 customers receive external credit ratings equal to or above B from Standard & Poor's or AAA from Moody's.

(ii) Class 2 customers receive no external credit ratings. The management assigns an internal credit rating with reference to the historical record of the Group and compares it with companies with published ratings to determine in the probability of default.

(iii) Class 3 customers have no recent transactions with the Group. Receivables were past due and the Group has substantial evidence indicating that the receivables are irrecoverable.

**Transfers of financial assets**

***Transferred financial assets that are not derecognised in their entirety***

At 31 December 2022, 2023 and 2024, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Bills**") with carrying amounts of RMB1,820,000, RMB2,012,000 and RMB1,967,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**"). In the opinion of the Company's directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

***Transferred financial assets that are derecognised in their entirety***

At 31 December 2022, 2023 and 2024, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Derecognised Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB27,375,000, RMB29,977,000 and RMB28,628,000, respectively. The Derecognised Bills had a maturity of one to six months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "**Continuing Involvement**"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2022, 2023 and 2024, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the years or cumulatively. The endorsement has been made evenly throughout the years.

The aggregate amounts of the trade payables settled by the bills receivable to which the suppliers have recourse were RMB15,589,000, RMB25,655,000 and RMB39,455,000 during the years ended 31 December 2022, 2023 and 2024, respectively.

**Company**

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 56,670 | 58,904 | 85,555 |
| Impairment | (1,946) | (2,258) | (2,411) |
| Trade receivables, net | 54,724 | 56,646 | 83,144 |
| Bills receivable | 903 | 1,214 | 888 |
| Trade and bills receivables | 55,627 | 57,860 | 84,032 |

An ageing analysis of the trade receivables of the Company as at the end of each of the Relevant Periods, based on the invoice date and net of allowance, is as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 3 months | 40,387 | 25,238 | 54,620 |
| 3 to 6 months | 4,872 | 5,729 | 3,027 |
| 6 to 12 months | 4,768 | 7,523 | 5,639 |
| Over one year | 4,697 | 18,156 | 19,858 |
| Total | 54,724 | 56,646 | 83,144 |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At beginning of year | 1,363 | 1,946 | 2,258 |
| Impairment losses, net | 583 | 362 | 153 |
| Amount written off as uncollectible | – | (50) | – |
| At end of year | 1,946 | 2,258 | 2,411 |

## 19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

**Group**

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments to suppliers | 25,691 | 27,363 | 35,274 |
| Prepayments for equipment | 16,857 | 12,291 | 32,133 |
| Value-added tax recoverable | 15,053 | 16,147 | 15,286 |
| Advertising endorsement fee | 11,716 | 7,556 | 10,595 |
| Deposits | 4,903 | 5,200 | 16,363 |
| Receivables from employees | 5,572 | 5,430 | 4,633 |
| Other receivables | 15,282 | 7,969 | 32,328 |
| Deferred [REDACTED] | – | – | [REDACTED] |
| Due from a director *(note 33)* | 100 | – | – |
| | 95,174 | 81,956 | 148,024 |
| Impairment allowance | (321) | (335) | (655) |
| Total | 94,853 | 81,621 | 147,369 |
| Analysed into: | | | |
| Current portion | 77,996 | 69,330 | 115,236 |
| Non-current portion | 16,857 | 12,291 | 32,133 |

The movements in the loss allowance for impairment of deposits, amounts due from a director and other receivables are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At beginning of year | 191 | 321 | 335 |
| Impairment losses, net | 130 | 14 | 320 |
| At end of year | 321 | 335 | 655 |

An impairment analysis is performed at the end of each of the Relevant Periods by considering the probability of default of the industry. As at 31 December 2022, 2023 and 2024, the probability of default applied ranged from 0.001% to 8.60%, 0.001% to 5.08% and 0.001% to 4.35%, respectively, and the loss given default was estimated to be 74.70%, 70.30% and 70.30%, respectively. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

**Company**

| | **As at 31 December** | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments to suppliers | 17,577 | 13,909 | 15,782 |
| Prepayments for equipment | 3,307 | 2,246 | 6,218 |
| Advertising endorsement fee | 11,716 | – | – |
| Deposits | 726 | 706 | 10,832 |
| Receivables from employees | 521 | 661 | 793 |
| Due from a director *(note 33)* | 100 | – | – |
| Amounts due from subsidiaries* | 479,987 | 373,233 | 342,608 |
| Deferred [REDACTED] | – | – | [REDACTED] |
| Other receivables | 4,074 | 1,824 | 8,992 |
| | 518,008 | 392,579 | 386,637 |
| Impairment allowance | (72) | (54) | (264) |
| Total | 517,936 | 392,525 | 386,373 |
| Analysed into: | | | |
| Current portion | 514,629 | 390,279 | 380,155 |
| Non-current portion | 3,307 | 2,246 | 6,218 |

* Amounts due from subsidiaries mainly represent excess operating cash transferred from the Company to the subsidiaries and are unsecured, interest-free and repayable on demand.

The movements in the loss allowance for impairment of deposits, amount due from a director, amounts due from subsidiaries and other receivables are as follows:

| | **As at 31 December** | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At beginning of year | 154 | 72 | 54 |
| (Reversal of)/provision for impairment losses, net | (82) | (18) | 210 |
| At end of year | 72 | 54 | 264 |

Where applicable, an impairment analysis is performed at the end of each of the Relevant Periods by considering the probability of default of the industry. As at 31 December 2022, 2023 and 2024, the probability of default applied ranged from 0.001% to 2.80%, 0.001% to 4.95% and 0.001% to 4.35%, respectively, and the loss given default was estimated to be 70.30%, 70.30% and 70.30%, respectively. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

## 20. CASH AND CASH EQUIVALENTS

**Group**

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and bank balances | 111,442 | 102,124 | 127,709 |
| Less: Pledged bank deposits | 36,991 | 34,732 | 49,662 |
| Cash and cash equivalents | 74,451 | 67,392 | 78,047 |

At 31 December 2022, 2023 and 2024, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB111,207,000, RMB101,612,000, and RMB125,735,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Pledged bank deposits are pledged to banks for the issuance of the Group's bills payable and letters of credit.

**Company**

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and bank balances | 68,616 | 77,068 | 84,051 |
| Less: Pledged bank deposits | 32,964 | 28,707 | 37,448 |
| Cash and cash equivalents | 35,652 | 48,361 | 46,603 |

## 21. TRADE AND BILLS PAYABLES

**Group**

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 139,256 | 128,792 | 213,148 |
| Bills payable | 53,690 | 56,165 | 77,761 |
| Total | 192,946 | 184,957 | 290,909 |

An ageing analysis of the trade payables and due to related parties as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 3 months | 126,208 | 115,920 | 199,770 |
| 3 to 6 months | 10,346 | 11,095 | 11,364 |
| 6 to 12 months | 459 | 374 | 300 |
| Over one year | 2,243 | 1,403 | 1,714 |
| Total | 139,256 | 128,792 | 213,148 |

Trade payables are non-interest-bearing and are normally repaid within 3 months, and bills payable are aged within 6 months based on the time of purchase.

**Company**

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 64,762 | 51,520 | 91,364 |
| Amounts due to subsidiaries* | 634 | 1,061 | 7,963 |
| Bills payable | 49,662 | 50,140 | 60,549 |
| Total | 115,058 | 102,721 | 159,876 |

* As at 31 December 2022, 2023 and 2024, amounts due to subsidiaries are unsecured, interest-free and repayable on demand and are trade in nature.

An ageing analysis of the trade payables, due to related parties and amounts due to subsidiaries as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 3 months | 53,866 | 42,746 | 87,868 |
| 3 to 6 months | 10,134 | 9,309 | 10,963 |
| 6 to 12 months | 420 | 110 | 101 |
| Over one year | 976 | 416 | 395 |
| Total | 65,396 | 52,581 | 99,327 |

## 22. OTHER PAYABLES AND ACCRUALS

**Group**

| | | As at 31 December | | |
|---|---|---|---|---|
| | | **2022** | **2023** | **2024** |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contract liabilities | (a) | 108,844 | 122,252 | 73,226 |
| Payables for purchase of property, plant and equipment | | 33,345 | 43,367 | 37,710 |
| Payroll payables | | 28,109 | 30,505 | 37,121 |
| Other tax payables | | 29,055 | 25,579 | 27,564 |
| Deposits | | 21,362 | 21,589 | 21,402 |
| Accrued expenses | | 22,016 | 19,100 | 37,740 |
| Due to related parties *(note 33)* | | 172 | 28 | 28 |
| Other payables | (b) | 11,299 | 18,559 | 23,884 |
| Total | | 254,202 | 280,979 | 258,675 |

(a) Details of contract liabilities are as follows:

| | As at 1 January | As at 31 December | | |
|---|---|---|---|---|
| | **2022** | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| *Short-term advances received from customers* | | | | |
| Sale of goods | 73,085 | 108,844 | 122,252 | 73,226 |

The amounts of consideration received in advance as prepayments by customers are short term as the respective revenue is expected to be recognised within one year when the goods are accepted by customers. Contract liabilities mainly arise from the advance payments received from distributors while the underlying goods are yet to be provided. The increase in contract liabilities in 2023 was in line with the growth of the Group's business to distributors. The decrease in contract liabilities in 2024 was mainly due to the shift in sales focus to direct channels and a decrease in sales to distributors in 2024.

(b) Other payables are unsecured, non-interest-bearing and repayable on demand.

**Company**

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Accrued expenses | 5,574 | 1,949 | 1,292 |
| Payables for purchase of property, plant and equipment | 13,570 | 24,613 | 19,912 |
| Payroll payables | 12,699 | 13,388 | 14,121 |
| Other tax payables | 4,762 | 5,593 | 9,566 |
| Amounts due to subsidiaries* | 489,186 | 478,893 | 537,974 |
| Contract liabilities** | 1,933 | 821 | 1,496 |
| Deposits | 1,581 | 1,564 | 2,081 |
| Due to related parties | 30 | 28 | 28 |
| Other payables | 5,219 | 3,427 | 10,153 |
| Total | 534,554 | 530,276 | 596,623 |

* Amounts due to subsidiaries arise from excess operating cash of subsidiaries transferred to the Company and are unsecured, interest-free and repayment on demand.

** Details of contract liabilities are as follows:

| | As at 1 January | As at 31 December | | |
|---|---|---|---|---|
| | **2022** | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| *Short-term advances received from customers* | | | | |
| Sale of goods | 932 | 1,933 | 821 | 1,496 |

The amounts of consideration received in advance as prepayments by customers are short term as the respective revenue is expected to be recognised within one year when the goods are accepted by customers.

## 23. INTEREST-BEARING BANK BORROWINGS

**Group**

| | As at 31 December 2022 | | |
|---|---|---|---|
| | *Effective interest rate (%)* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank loans — unsecured | 3.25–4.58 | 2023 | 223,816 |

| | As at 31 December 2023 | | |
|---|---|---|---|
| | *Effective interest rate (%)* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank loans — unsecured | 2.90–4.57 | 2024 | 180,197 |

| | As at 31 December 2024 | | |
|---|---|---|---|
| | *Effective interest rate (%)* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank loans — unsecured | 2.05–4.57 | 2025 | 321,333 |

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Analysed into: | | | |
| Bank loans repayable: | | | |
| Within one year | 223,816 | 180,197 | 321,333 |
| Total | 223,816 | 180,197 | 321,333 |

All of these bank loans are guaranteed by subsidiaries of the Group and the controlling shareholder and his spouse.

**Company**

| | As at 31 December 2022 | | |
|---|---|---|---|
| | *Effective interest rate (%)* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank loans — unsecured | 3.25–4.58 | 2023 | 186,768 |

| | As at 31 December 2023 | | |
|---|---|---|---|
| | *Effective interest rate (%)* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank loans — unsecured | 2.90–4.57 | 2024 | 122,601 |

| | As at 31 December 2024 | | |
|---|---|---|---|
| | *Effective interest rate (%)* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank loans — unsecured | 2.05–4.57 | 2025 | 174,172 |

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Analysed into: | | | |
| Bank loans repayable: | | | |
| Within one year | 186,768 | 122,601 | 174,172 |
| Total | 186,768 | 122,601 | 174,172 |

**24. FINANCIAL LIABILITIES AT FVTPL**

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Redeemable ordinary shares | 462,651 | 468,677 | 171,109 |
| Analysed into: | | | |
| Current portion | 462,651 | 262,535 | 171,109 |
| Non-current portion | – | 206,142 | – |

Certain independent investors subscribed to or acquired the Company's ordinary shares with preferential rights that were designated as financial liabilities at FVTPL and were subsequently measured at fair value.

In June 2015, the Company entered into an investment agreement with an independent investor, Beijing Sequoia Xinyuan Equity Investment Center (Limited Partnership) (北京紅杉信遠股權投資中心(有限合夥)), pursuant to which the investor made a total investment of RMB135,000,000 in the Company as consideration for subscription of the Company's 10,588,000 ordinary shares **("Series A Shares")**. The Company had received all investment funds for the Series A Shares by June 2015.

In October 2016, the Company entered into an investment agreement with an independent investor, Mr. Li Qing, pursuant to which the investor made a total investment of RMB102,632,000 in the Company as consideration for subscription of the Company's 3,715,000 ordinary shares **("Series B Shares")**. The Company had received all investment funds for Series B Shares by October 2016. In December 2019, the investor transferred all his equity to another independent investor, Shenzhen Junrong Partnership (Limited Partnership) (深圳君榮實業合夥企業(有限合夥)), at a consideration of RMB118,500,000.

In August 2020, an independent investor, Changsha Nuoxiang Jinhong Equity Investment Partnership Enterprise (Limited Partnership) (長沙諾享瑾鴻股權投資合夥企業(有限合夥)), acquired a 1.2% equity interest **("Series C1 Shares")** in the Company from Mr. Yang Fan, the controlling shareholder. The consideration of RMB28,800,000 was in the form of cash, which was fully received in October 2020 by Mr. Yang Fan.

In December 2020, the Company entered into an investment agreement with an independent investor, Changsha Nuoxiang Dongchen Equity Investment Partnership Enterprise (Limited Partnership) (長沙諾享東辰股權投資合夥企業(有限合夥)), pursuant to which the investor made a total investment of RMB43,992,000 in the Company as consideration for subscription of the Company's 1,362,000 ordinary shares **("Series C2 Shares")**. The Company had received full consideration by December 2020.

In January 2021, all shareholders of the Company signed a supplementary investment agreement. The investors of Series A Shares, Series B Shares, Series C1 Shares and Series C2 Shares were granted certain preferential rights, including, but not limited to, redemption rights, anti-dilution rights and liquidation rights. The investments from the investors shall be redeemed by the controlling shareholder, a third party designated by the controlling shareholder or the Company, at the option of the investors, upon the occurrence of certain contingent events, including a qualified initial public offering ("**IPO**") by 29 December 2023.

In November 2023, the investors of Series C1 Shares and Series C2 Shares signed a supplementary agreement to modify relevant terms of redemption rights. The investments shall be redeemed by the controlling shareholder, a third party designated by the controlling shareholder or the Company if a qualified IPO has not been consummated by 30 June 2025.

In December 2023, the investor of Series B Shares signed a supplementary agreement to modify relevant terms of redemption rights. The investments shall be redeemed by the controlling shareholder, a third party designated by the controlling shareholder or the Company if a qualified IPO has not been consummated by 30 December 2025.

In June 2024, the Company entered into an agreement pursuant to which the Series A Shares investor exercised the redemption right and required the Company to repurchase 10,588,000 ordinary shares through a capital reduction. In November 2024, the Company paid RMB135,000,000 to the investor to redeem certain ordinary shares from the Company and the remaining consideration of RMB125,809,000 was settled in January 2025. The redemption liabilities of Series A Shares were fully settled in January 2025.

In June 2024, the Company entered into a supplemental agreement ("**Termination Agreement**") with investors of Series B Shares, Series C1 Shares and Series C2 Shares. The redemption rights and other preferential rights granted by the Company to these three investors were terminated effective from the date of execution or signing the relevant supplemental agreement and shall not be reinstated under any circumstances.

In December 2024, the Company entered into an investment agreement with two independent investors, Wuhu Hua'an Zhanxin Equity Investment Fund Partnership (Limited Partnership) (蕪湖華安戰新股權投資基金合夥企業(有限合夥)) ("**Series D1 Shares**") and Wuhu Fanchang District Xingnong Industrial Investment Fund Co., Ltd. (蕪湖市繁昌區興農產業投資基金有限公司) ("**Series D2 Shares**"), pursuant to which the Series D1 Shares investor made a total investment of RMB40,000,000 as consideration for subscription of the Company's 1,211,000 ordinary shares and Series D2 Shares investor made a total investment of RMB35,000,000 as consideration for subscription of the Company's 1,059,000 ordinary shares. The Company had received full consideration of Series D1 Shares and Series D2 Shares by December 2024 and January 2025, respectively.

According to the investment agreements effective during the Relevant Periods, the key features of the preferential rights, namely liquidation rights, anti-dilution rights and redemption rights, are summarised as follows:

**(a) Liquidation rights**

***Series A Shares/Series B Shares/Series C1 and C2 Shares***

In the event of any liquidation, dissolution or termination of the Company, after paying the liquidation expenses, employees' wages and labour insurance expenses, taxes owed and the Company's debts in accordance with the law, the remaining assets obtained after the liquidation of the Company shall be distributed in the following order: (i) Series C2 Shares holder has the right to priority distribution according to the proportion of the Company's equity held at that time; (ii) Series C1 Shares holder has the right to priority distribution according to the proportion of the Company's equity held at that time; (iii) Series B Shares holder has the right to priority distribution according to the proportion of the Company's equity held at that time, (iv) Series A Shares holder has the right to obtain the amount equivalent to 100% of the investment paid and the undistributed profit corresponding to the shares obtained based on shareholding.

***Series D1 and D2 Shares***

There is no liquidation priority in this agreement.

**(b) Anti-dilution rights**

***Series A Shares/Series B Shares/Series C1 and C2 Shares***

If the Company issues new shares, any new instruments that are convertible into shares, or increases its paid-in capital at a price lower than the price paid by the investors of Series A Shares, Series B Shares, Series C1 Shares and Series C2 Shares on a per paid-in capital basis, the investors have a right to require the Company to issue additional paid-in capital at nil consideration or the lowest issue price permitted by law to the investors, and the investors also have a right to require the controlling shareholders to transfer shares to the investors at nil consideration or at the lowest issue price permitted by law, so that the total amount paid by the investors, divided by the total amount of paid-in capital obtained, is equal to the price per paid-in capital in the new issuance.

***Series D1 and D2 Shares***

If the Company issues new shares or increases its paid-in capital at a price lower than the price paid by the investors of Series D1 and Series D2 Shares on a per paid-in capital basis, the investors have a right to require the controlling shareholder to transfer shares at nil consideration, or require the Company to issue additional shares at the lowest price permitted by law to the investors, and the investors also have a right to require the controlling shareholders or the Company to refund the price difference between the original paid-in capital price and the new paid-in capital price based on the respective shareholding in the Company, so that the total amount paid by the investors, divided by the total amount of paid-in capital obtained, is equal to the price per paid-in capital in the new issuance.

**(c) Redemption rights**

***Series A Shares/Series B Shares/Series C1 and C2 Shares***

The investments from the investors shall be redeemed by the Company, at the option of the investors, upon the occurrence of certain contingent events, including: (i) a qualified IPO has not been consummated by a certain date, or (ii) major violations of investment agreements by the Group or the controlling shareholders of the Company, with failure to remedy such acts within the required time limit. The repurchase price is the original investment principal from the Series A Shares and Series B Shares investors plus a simple interest rate of 10% per annum and reduced by the accumulated dividends distributed to the Series A Shares and Series B Shares investors based on their respective shareholdings in the Company, while the repurchase price for Series C1 Shares and Series C2 Shares investors is the original investment principal plus a simple interest rate of 8% per annum and reduced by the accumulated dividends distributed or compensation paid to the Series C1 Shares and Series C2 Shares investors based on their respective shareholdings in the Company.

***Series D1 and D2 Shares***

The investments from the investors shall be redeemed by the Company, at the option of the investors, upon the occurrence of certain contingent events, including a qualified IPO has not been consummated by 31 December 2025. The repurchase price is the investment principal based on their respective shareholdings in the Company plus a simple interest rate of 6% per annum and reduced by the accumulated investment income paid or dividends distributed to the investors.

**Presentation and classification**

The Company recognised the Series A Shares, Series D1 Shares, Series D2 Shares, and for Series B Shares, Series C1 Shares and Series C2 Shares, prior to the execution of the Termination Agreement, issued to the investors as financial liabilities at FVTPL and classified them as liabilities, because not all triggering payment events mentioned in the key terms above were within the control of the Company and these financial instruments did not meet the definition of equity for the Company. Financial liabilities are measured at fair value and any changes in the fair value of the financial liabilities were recorded in "Fair value loss on financial liabilities at FVTPL" in the consolidated statements of profit or loss and other comprehensive income. The directors of the Company considered that the changes in the fair value of the Series A Shares, Series B Shares, Series C1 Shares, Series C2 Shares, Series D1 Shares and Series D2 Shares attributable to the changes in credit risk of the Group were minimal.

Upon the execution of the Termination Agreement, the redemption rights and other preferential rights granted by the Company to Series B Shares, Series C1 Shares and Series C2 Shares investors were terminated. The financial liabilities at FVTPL were then derecognised and reclassified to capital reserve as the substance of the transaction is a shareholder's transaction.

The movements in the financial liabilities at FVTPL are as follows:

| | Series A Shares | Series B Shares | Series C1 Shares and Series C2 Shares | Series D1 Shares | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2022 | 254,082 | 133,487 | 74,571 | – | 462,140 |
| Changes in fair value | 2,896 | (1,746) | (639) | – | 511 |
| At 31 December 2022 and 1 January 2023 | 256,978 | 131,741 | 73,932 | – | 462,651 |
| Changes in fair value | 5,557 | 360 | 109 | – | 6,026 |
| At 31 December 2023 and 1 January 2024 | 262,535 | 132,101 | 74,041 | – | 468,677 |
| Changes in fair value | 3,574 | (1,456) | (493) | – | 1,625 |
| Payment for repurchase of shares issued to an investor | (135,000) | – | – | – | (135,000) |
| Termination of preferential rights *(Note a)* | – | (130,645) | (73,548) | – | (204,193) |
| Issuance of shares to a new investor *(Note b)* | – | – | – | 40,000 | 40,000 |
| At 31 December 2024 | 131,109 | – | – | 40,000 | 171,109 |

*Notes:*

(a) In June 2024, the liquidation preferences, redemption rights and anti-dilution rights attached to the Series B Shares, Series C1 Shares and Series C2 Shares granted by the Company were terminated. Financial liabilities at FVTPL were then derecognised and reclassified to capital reserve as the substance of the transaction is a shareholder's transaction.

(b) In December 2024, the Company entered into an investment agreement with two independent investors in respect of the Series D1 Shares and Series D2 Shares. The Company had received full consideration of Series D1 Shares and Series D2 Shares by December 2024 and January 2025, respectively. The Company held a shareholders' meeting and approved the resolution to increase the registered capital and completed accordingly the business registration in January 2025 and February 2025, respectively.

For Series A Shares, Series B Shares, Series C1 and C2 Shares, the Company applied the discounted cash flow method ("**DCF**") to determine the underlying share value of the Company and performed an equity allocation based on the hybrid method to arrive at the fair value of the investors' shares at the end of each of the Relevant Periods with reference to valuation reports carried out by PG Advisory ("**PGA**"), an independent qualified valuer. The hybrid method is a hybrid between the probability-weighted expected return method ("**PWERM**") and the option pricing method ("**OPM**"), estimating the probability-weighted value across multiple scenarios while using the OPM to estimate the allocation of value within one or more of those scenarios.

In addition to the underlying share value of the Company determined by the DCF, other key valuation assumptions used in the OPM model to determine the fair value are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| Risk-free interest rate | 2.1% | 2.2% | 1.5% |
| Discount for lack of marketability ("**DLOM**") | 9.8% | 10.1% | 8.0% |
| Volatility | 43.7% | 37.2% | 35.8% |

The investment consideration of Series D1 Shares was received by the Company on 26 December 2024. The Company applied the recent transaction price valuation method to determine the fair value of the financial liabilities at FVTPL at 31 December 2024.

## 25. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

**Deferred tax assets**

| | Losses available for offsetting against future taxable profits | Unrealised profits for intercompany transactions | Impairment of assets | Deferred income | Lease liabilities | Others | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2022 | 38,639 | 6,874 | 4,218 | 1,097 | 445 | 1,109 | 52,382 |
| Deferred tax (charged)/credited to profit or loss during the year *(note 11)* | (3,333) | 275 | (454) | (147) | 12 | 67 | (3,580) |
| Gross deferred tax assets at 31 December 2022 | 35,306 | 7,149 | 3,764 | 950 | 457 | 1,176 | 48,802 |
| At 1 January 2023 | 35,306 | 7,149 | 3,764 | 950 | 457 | 1,176 | 48,802 |
| Deferred tax (charged)/credited to profit or loss during the year *(note 11)* | (6,715) | 596 | (262) | (182) | 516 | 5,387 | (660) |
| Gross deferred tax assets at 31 December 2023 | 28,591 | 7,745 | 3,502 | 768 | 973 | 6,563 | 48,142 |
| At 1 January 2024 | 28,591 | 7,745 | 3,502 | 768 | 973 | 6,563 | 48,142 |
| Deferred tax (charged)/credited to profit or loss during the year *(note 11)* | (17,785) | 1,240 | 453 | (122) | (491) | (2,869) | (19,574) |
| Gross deferred tax assets at 31 December 2024 | 10,806 | 8,985 | 3,955 | 646 | 482 | 3,694 | 28,568 |

**Deferred tax liabilities**

| | Depreciation allowance in excess of related depreciation | Right-of-use assets | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2022 | – | 440 | 440 |
| Deferred tax charged to profit or loss during the year *(note 11)* | 1,198 | 92 | 1,290 |
| Gross deferred tax liabilities at 31 December 2022 | 1,198 | 532 | 1,730 |
| At 1 January 2023 | 1,198 | 532 | 1,730 |
| Deferred tax (credited)/charged to profit or loss during the year *(note 11)* | (187) | 499 | 312 |
| Gross deferred tax liabilities at 31 December 2023 | 1,011 | 1,031 | 2,042 |
| At 1 January 2024 | 1,011 | 1,031 | 2,042 |
| Deferred tax charged/(credited) to profit or loss during the year *(note 11)* | 5,437 | (523) | 4,914 |
| Gross deferred tax liabilities at 31 December 2024 | 6,448 | 508 | 6,956 |

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Net deferred tax assets recognised in the consolidated statements of financial position | 47,072 | 46,100 | 21,612 |

Deferred tax assets have not been recognised in respect of tax losses of RMB2,854,000, RMB5,177,000, RMB10,237,000, respectively, which arose in Mainland China and were available for offsetting against future taxable profits in one to five years at 31 December 2022, 2023 and 2024, as it is not considered probable that taxable profits will be available against which the above items can be utilised.

**26. SHARE CAPITAL**

**Shares**

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Issued and fully paid: | | | |
| Ordinary shares with a par value of RMB1.00 each | 75,665 | 75,665 | 75,665 |

## 27. RESERVES

### Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page I-6 to page I-7 of the Historical Financial Information.

#### (a) Capital reserve

The capital reserve represents capital contribution from shareholders of the Group and share-based payment reserves. Details of the movement in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

#### (b) Statutory reserve

In accordance with the PRC Company Law and the articles of association of the Company, the Company is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after this conversion is not less than 25% of the registered capital of the Company. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

### Company

| | Share capital | Capital reserve | Statutory reserve | (Accumulated loss)/retained profits | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2022 | 75,665 | 28,142 | 12,408 | (117,127) | (912) |
| Profit and total comprehensive income for the year | – | – | – | 12,783 | 12,783 |
| Equity-settled share-based payment expenses | – | 268 | – | – | 268 |
| At 31 December 2022 | 75,665 | 28,410 | 12,408 | (104,344) | 12,139 |

| | Share capital | Capital reserve | Statutory reserve | (Accumulated loss)/retained profits | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2023 | 75,665 | 28,410 | 12,408 | (104,344) | 12,139 |
| Profit and total comprehensive income for the year | – | – | – | 7,700 | 7,700 |
| Equity-settled share-based payment expenses | – | 337 | – | – | 337 |
| At 31 December 2023 | 75,665 | 28,747 | 12,408 | (96,644) | 20,176 |

| | Share capital | Capital reserve | Statutory reserve | (Accumulated loss)/retained profits | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2024 | 75,665 | 28,747 | 12,408 | (96,644) | 20,176 |
| Profit and total comprehensive income for the year | – | – | – | 18,839 | 18,839 |
| Derecognition of redemption liabilities due to cancellation of redemption rights | – | 204,193 | – | – | 204,193 |
| Equity-settled share-based payment expenses | – | 571 | – | – | 571 |
| At 31 December 2024 | 75,665 | 233,511 | 12,408 | (77,805) | 243,779 |

## 28. SHARE-BASED PAYMENTS

In June 2015, Anhui Jurun Investment Co., Ltd., a company wholly owned by the controlling shareholder of the Company, Mr. Yang Fan, and his spouse Ms. Li Huimin, transferred 2,400,000 shares of the Company to Wuhu Kailai Star Investment Partnership Enterprise (Limited Partnership) (蕪湖凱萊之星投資合夥企業(有限合夥)) ("**Kailai Star**") at a price of RMB3 per share, with a total transfer consideration of RMB7,200,000. As at this equity transfer date, the Company was 100% owned by the controlling shareholder and his spouse.

The Group adopted share incentive plans for the purpose of attracting and retaining directors, senior management, employees who promote the success of the Group's operations. Kailai Star was established as an employee shareholding platform to grant restricted shares to employees. Out of 75,665,382 issued ordinary shares of the Company, 2,400,000 shares were held by Kailai Star.

On 20 August 2015 (the date of grant), 350,000 restricted shares were granted to 15 eligible participants at a price of RMB3 per share. The fair value of restricted shares granted was RMB3.44 per share at the grant date. During the years ended 31 December 2022, 2023 and 2024, 35,000 shares, nil shares and nil shares were forfeited because of resigned employees, respectively. At 31 December 2022, 2023 and 2024, the Company had 145,000, 145,000 and 145,000 restricted shares, respectively. The fair value of the shares granted was estimated as at the date of grant using the backsolve method, taking into account the terms and conditions upon which the restricted shares were granted.

On 21 June 2018 (the date of grant), 371,000 restricted shares were granted to 22 eligible participants at a price of RMB6 per share. The fair value of restricted shares granted was RMB11.28 per share at the grant date. During the years ended 31 December 2022, 2023 and 2024, 245,000 shares, nil shares and nil shares were forfeited because of resigned employees, respectively. At 31 December 2022, 2023 and 2024, the Company had 92,000, 92,000 and 92,000 restricted shares, respectively. The fair value of the shares granted was estimated as at the date of grant using the interpolation method, taking into account the terms and conditions upon which the restricted shares were granted.

On 15 January 2020 (the date of grant), 166,000 restricted shares were granted to 19 eligible participants at a price of RMB6 per share. The fair value of restricted shares granted was RMB17.68 per share at the grant date. During the years ended 31 December 2022, 2023 and 2024, 56,000 shares, 10,000 shares and nil shares were forfeited because of resigned employees, respectively. At 31 December 2022, 2023 and 2024, the Company had 110,000, 100,000 and 100,000 restricted shares, respectively. The fair value of the shares granted was estimated as at the date of grant using the market approach — comparable companies multiples approach, taking into account the terms and conditions upon which the restricted shares were granted.

On 8 October 2023 (the date of grant), 237,000 restricted shares were granted to 12 eligible participants at a price of RMB6 or RMB8 per share. The fair value of restricted shares granted was RMB18.21 per share at the grant date. During the years ended 31 December 2023 and 2024, nil shares were forfeited. At 31 December 2023 and 2024, the Company had 237,000 and 237,000 restricted shares, respectively. The fair value of the shares granted was estimated as at the date of grant using the hybrid method between the PWERM and the OPM, taking into account the terms and conditions upon which the restricted shares were granted.

For the restricted shares granted in 2015, 2018 and 2020, the vesting conditions of the restricted shares requires that, incentive employees shall unconditionally transfer their shares to Mr. Yang Fan, the controlling shareholder of the Company, or a third party designated by him, at the original consideration, under any of the following circumstances: (i) within 5 years from the date the employee obtain the restricted shares of the Company, if any employees of the Group leaves for any reason; (ii) other circumstances, including but limited to, if being incompetent, being unqualified, infringement on the interests of the Group, violation of non-competition obligations and illegal crime.

For the restricted shares granted in 2023, the vesting condition of the restricted shares requires that, incentive employees shall unconditionally transfer their shares to Mr. Yang Fan, the controlling shareholder of the Company, or a third party designated by him, at the original consideration, under any of the following circumstances: (i) the earlier of either within 5 years from the date the employees obtain the restricted shares of the Company or 36 months before the successful IPO of the Company, if any employee of the Group leaves for any reason; (ii) other circumstances, including but limited to, being incompetent, being unqualified, infringement on the interests of the Group, violation of non-competition obligations and illegal crime.

For these four incentive plans, if a qualified IPO has not been consummated by a certain date, the controlling shareholder agrees to repurchase these restricted shares at their original price. If the Company has a successful IPO, the restricted shares held by the employees could be transferred under the restriction period and restriction conditions stipulated by laws and regulations and agreements with Kailai Star. In addition, without the approval of the controlling shareholder, the employees of the Group shall not transfer restricted shares of the Company granted to other participants of the incentive plans or other third parties other than participants; and shall not make any agreement with any third party on the disposal of the restricted shares (including but not limited to the transfer of shares, pledge or transfer of income rights).

After taking into account the best estimation of the [REDACTED], the management determined the vesting period of the relevant restricted shares based on the above service requirements. As such, the share-based payment expenses are recognised over the vesting period. During the years ended 31 December 2022, 2023 and 2024, share-based payment expenses of RMB268,000, RMB337,000, and RMB571,000 were charged to profit or loss, respectively.

## 29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Major non-cash transactions

During the years ended 31 December 2022, 2023 and 2024, the Group had non-cash additions of right-of-use assets of RMB813,000, RMB3,856,000 and nil, and additions to lease liabilities of RMB813,000, RMB3,856,000 and nil, respectively, in respect of lease arrangements.

**(b) Changes in liabilities arising from financing activities**

| | Financial Liabilities at FVTPL | Interest-bearing bank borrowings | Lease liabilities |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2022 | 462,140 | 297,116 | 1,779 |
| Changes from financing cash flows | – | (83,896) | (832) |
| Interest expense | – | 10,596 | 69 |
| New leases | – | – | 813 |
| Fair value changes | 511 | – | – |
| At 31 December 2022 and 1 January 2023 | 462,651 | 223,816 | 1,829 |
| Changes from financing cash flows | – | (51,436) | (1,892) |
| Interest expense | – | 7,817 | 149 |
| New leases | – | – | 3,856 |
| Lease modifications | – | – | (47) |
| Fair value changes | 6,026 | – | – |
| At 31 December 2023 and 1 January 2024 | 468,677 | 180,197 | 3,895 |
| Changes from financing cash flows | (95,000) | 133,484 | (2,086) |
| Interest expense | – | 7,652 | 121 |
| Fair value changes | 1,625 | – | – |
| Derecognition of redemption liabilities due to termination of preferential rights | (204,193) | – | – |
| At 31 December 2024 | 171,109 | 321,333 | 1,930 |

**(c) Total cash outflow for leases**

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within operating activities | 4,622 | 2,910 | 3,749 |
| Within investing activities | – | 150 | – |
| Within financing activities | 832 | 1,892 | 2,086 |
| Total | 5,454 | 4,952 | 5,835 |

**30. CONTINGENT LIABILITIES**

As at 31 December 2022, 2023 and 2024, neither the Group nor the Company had any significant contingent liabilities.

**31. PLEDGE OF ASSETS**

Details of the Group's assets pledged for the Group's bills payable and the letter of credits are included in note 20 to the Historical Financial Information.

## 32. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Contracted, but not provided for purchase of property, plant and equipment | 30,411 | 46,129 | 34,285 |

## 33. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the Relevant Periods:

**(a)** Transactions with a related party:

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Purchases of products from an entity controlled by a family member closely related to the controlling shareholder of the Company *(Note)* | 1,655 | 242 | 885 |

*Note:* The purchases from the related party were made according to the published prices and conditions offered by the related party to its major customers.

**(b)** Outstanding balances with related parties:

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Other receivables due from a director* | 100 | – | – |
| Other payables due to an entity controlled by a family member closely related to the controlling shareholder of the Company** | 172 | 28 | 28 |

* As at 31 December 2022, 2023 and 2024, RMB100,000, nil and nil of the balances in other receivables due from a director were non-trade in nature, respectively. All the non-trade balances with related parties have been fully settled as of 31 December 2023 and 2024.

** These balances with the related party are non-trade in nature.

The outstanding balances with related parties are unsecured, interest-free and repayable on demand.

**(c)** Guarantees provided by related parties:

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Guarantees provided by the controlling shareholder and his spouse for the Group's bank loans | 223,816 | 180,197 | 321,333 |

**(d)** Compensation of key management personnel of the Group:

| | As at 31 December | | |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries, allowances and benefits in kind | 2,622 | 2,251 | 3,004 |
| Performance related bonuses | 334 | 506 | 526 |
| Equity-settled share-based payment expenses | 58 | 87 | 185 |
| Pension scheme contributions | 50 | 102 | 199 |
| Total compensation paid to key management personnel | 3,064 | 2,946 | 3,914 |

Further details of directors' emoluments are included in note 9 to the Historical Financial Information.

**34. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**Financial assets**

| | Financial assets at amortised cost | | |
|---|---|---|---|
| | As at 31 December | | |
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills receivables | 78,541 | 80,526 | 162,928 |
| Financial assets included in prepayments, other receivables and other assets | 19,964 | 12,834 | 48,036 |
| Pledged bank deposits | 36,991 | 34,732 | 49,662 |
| Cash and cash equivalents | 74,451 | 67,392 | 78,047 |
| Total | 209,947 | 195,484 | 338,673 |

| | Financial assets at FVOCI | | |
|---|---|---|---|
| | As at 31 December | | |
| | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at FVOCI | 155 | 983 | 30 |

**Financial liabilities**

| | Financial liabilities at amortised cost | | |
|---|---|---|---|
| | As at 31 December | | |
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills payables | 192,946 | 184,957 | 290,909 |
| Financial liabilities included in other payables and accruals | 66,178 | 83,543 | 83,024 |
| Interest-bearing bank borrowings | 223,816 | 180,197 | 321,333 |
| Lease liabilities | 1,829 | 3,895 | 1,930 |
| Total | 484,769 | 452,592 | 697,196 |

| | Financial liabilities at FVTPL — designated as such upon initial recognition | | |
|---|---|---|---|
| | As at 31 December | | |
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial liabilities at FVTPL | 462,651 | 468,677 | 171,109 |

## 35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Group's financial instruments, other than those carrying amounts that reasonably approximate to fair values are as follows:

| | Carrying amount | | | Fair value | | |
|---|---|---|---|---|---|---|
| | As at 31 December | | | As at 31 December | | |
| | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets** | | | | | | |
| Financial assets at FVOCI | 155 | 983 | 30 | 155 | 983 | 30 |
| **Financial liabilities** | | | | | | |
| Financial liabilities at FVTPL | 462,651 | 468,677 | 171,109 | 462,651 | 468,677 | 171,109 |

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the financial assets at FVOCI have been calculated by discounting the expected future cash flows. The financial assets at FVOCI which are bills receivable from certain prestigious banks, are held by the Group with a dual focus: collecting the expected cash flows and exploring opportunities for sale. The changes in fair value as at 31 December 2022, 2023, and 2024 were assessed to be insignificant.

The fair values of the redemption liabilities on equity shares measured at FVTPL are determined using the discounted cash flow model or recent transaction price valuation method. Further details are set out in note 24 to the Historical Financial Information.

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

***Assets measured at fair value:***

**As at 31 December 2022**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at FVOCI | – | 155 | – | 155 |

**As at 31 December 2023**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at FVOCI | – | 983 | – | 983 |

**As at 31 December 2024**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at FVOCI | – | 30 | – | 30 |

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

***Liabilities measured at fair value:***

**As at 31 December 2022**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial liabilities at FVTPL | – | – | 462,651 | 462,651 |

**As at 31 December 2023**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial liabilities at FVTPL | – | – | 468,677 | 468,677 |

**As at 31 December 2024**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial liabilities at FVTPL | – | 40,000 | 131,109 | 171,109 |

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial liabilities.

Below is a summary of significant unobservable inputs to the valuation of financial liabilities at FVTPL with an analysis as at 31 December 2022, 2023 and 2024.

| | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Financial Liabilities at FVTPL | Discounted cash flow method | Risk-free interest rate | 2024: 1.5% | 2024: 1% increase/decrease in risk-free interest rate would result in decrease/increase in fair value by RMB3,060,000/ RMB2,376,000. |
| | | | 2023: 2.2% | 2023: 1% increase/decrease in risk-free interest rate would result in decrease/increase in fair value by RMB3,723,000/ RMB4,678,000 |
| | | | 2022: 2.1% | 2022: 1% increase/decrease in risk-free interest rate would result in decrease/increase in fair value by RMB2,865,00/ RMB2,618,000. |
| | | DLOM | 2024: 8.0% | 2024: 1% increase/decrease in DLOM would result in decrease/increase in fair value by RMB4,904,000/ RMB3,753,000 |
| | | | 2023: 10.1% | 2023: 1% increase/decrease in DLOM would result in decrease/increase in fair value by RMB4,939,000/ RMB4,339,000 |
| | | | 2022: 9.8% | 2022: 1% increase/decrease in DLOM would result in decrease/increase in fair value by RMB4,845,000/ RMB4,195,000 |
| | | Volatility | 2024: 35.8% | 2024: 1% increase/decrease in volatility would result in increase/decrease in fair value by RMB556,000/ RMB551,000 |
| | | | 2023: 37.2% | 2023: 1% increase/decrease in volatility would result in increase/decrease in fair value by RMB699,000/ RMB707,000 |
| | | | 2022: 43.7% | 2022: 1% increase/decrease in volatility would result in increase/decrease in fair value by RMB708,000/ RMB710,000 |

The DLOM represents the amounts of discounts determined by the Group that market participants would take into account when pricing the investments.

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial liabilities at FVTPL, interest-bearing bank borrowings, and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables and financial liabilities included in other payables and accruals which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

**Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term obligations with fixed interest rates.

After the assessment, the directors of the Company consider the Group's exposure to interest rate risk to be not significant.

**Credit risk**

At the end of each of the Relevant Periods, the Group had concentration of credit risk as 82.13%, 74.13%, and 71.31% of the Group's trade receivables and trade receivables were due from the Group's five largest customers, respectively. The Group's cash and cash equivalents are mainly deposited with state-owned banks and other medium or large-sized listed banks in Mainland China. The carrying amounts of trade and bills receivables, financial assets included in prepayments, other receivables and other assets, pledged bank deposits, cash and cash equivalents included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

The Group trades only with recognised and creditworthy third parties. Concentrations of credit risk are managed through customer/counterparty analysis. In addition, receivable balances are monitored on an ongoing basis.

***Maximum exposure and year-end staging***

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022, 2023 and 2024.

*As at 31 December 2022*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Simplified approach** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables* | – | – | – | 80,777 | 80,777 |
| Bills receivable | 2,611 | – | – | – | 2,611 |
| Financial assets at FVOCI | 155 | – | – | – | 155 |
| Financial assets included in prepayments, other receivables and other assets — Normal** | 20,285 | – | – | – | 20,285 |
| Pledged bank deposits | 36,991 | – | – | – | 36,991 |
| Cash and cash equivalents — Not yet past due | 74,451 | – | – | – | 74,451 |
| Total | 134,493 | – | – | 80,777 | 215,270 |

*As at 31 December 2023*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Simplified approach** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables* | – | – | – | 84,013 | 84,013 |
| Bills receivable | 2,012 | – | – | – | 2,012 |
| Financial assets at FVOCI | 983 | – | – | – | 983 |
| Financial assets included in prepayments, other receivables and other assets — Normal** | 13,169 | – | – | – | 13,169 |
| Pledged bank deposits | 34,732 | – | – | – | 34,732 |
| Cash and cash equivalents — Not yet past due | 67,392 | – | – | – | 67,392 |
| Total | 118,288 | – | – | 84,013 | 202,301 |

*As at 31 December 2024*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Simplified approach** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables* | – | – | – | 168,283 | 168,283 |
| Bills receivable | 1,967 | – | – | – | 1,967 |
| Financial assets at FVOCI | 30 | – | – | – | 30 |
| Financial assets included in prepayments, other receivables and other assets — Normal** | 48,691 | – | – | – | 48,691 |
| Pledged bank deposits | 49,662 | – | – | – | 49,662 |
| Cash and cash equivalents — Not yet past due | 78,047 | – | – | – | 78,047 |
| Total | 178,397 | – | – | 168,283 | 346,680 |

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 18 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the Historical Financial Information.

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

| 31 December 2022 | Within 1 year | Within 2 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills payables | 192,946 | – | – | 192,946 |
| Financial liabilities included in other payables and accruals | 66,178 | – | – | 66,178 |
| Interest-bearing bank borrowings | 226,116 | – | – | 226,116 |
| Lease liabilities | 832 | 1,124 | – | 1,956 |
| Financial liabilities at FVTPL | 509,198 | – | – | 509,198 |
| Total | 995,270 | 1,124 | – | 996,394 |

| 31 December 2023 | Within 1 year | Within 2 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills payables | 184,957 | – | – | 184,957 |
| Financial liabilities included in other payables and accruals | 83,543 | – | – | 83,543 |
| Interest-bearing bank borrowings | 182,464 | – | – | 182,464 |
| Lease liabilities | 2,086 | 2,055 | – | 4,141 |
| Financial liabilities at FVTPL | 250,952 | 290,844 | – | 541,796 |
| Total | 704,002 | 292,899 | – | 996,901 |

| 31 December 2024 | Within 1 year | Within 2 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills payables | 290,909 | – | – | 290,909 |
| Financial liabilities included in other payables and accruals | 83,024 | – | – | 83,024 |
| Interest-bearing bank borrowings | 326,844 | – | – | 326,844 |
| Lease liabilities | 853 | 1,202 | – | 2,055 |
| Financial liabilities at FVTPL | 172,080 | – | – | 172,080 |
| Total | 873,710 | 1,202 | – | 874,912 |

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise equity holders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using an asset-liability ratio, which is total liabilities divided by total assets. The asset-liability ratio as at the end of each of the Relevant Periods were as follows:

The debt-to-asset ratio at the end of each of the Relevant Periods were as follows:

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Total liabilities | 1,143,221 | 1,129,197 | 1,053,019 |
| Total assets | 1,309,118 | 1,394,662 | 1,670,967 |
| Debt-to-asset ratio | 87.33% | 80.97% | 63.02% |

**37. INVESTMENTS IN SUBSIDIARIES**

| | As at 31 December | | |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Investments, at cost | 290,326 | 290,326 | 341,729 |

All subsidiaries are set out in note 1.

**38. EVENTS AFTER THE RELEVANT PERIODS**

In June 2024, the Company entered into an agreement pursuant to which the Series A Shares investor exercised the redemption right and to repurchase 10,588,000 ordinary shares from the Company through a capital reduction. In September 2024, the Company's shareholders' meeting passed the resolution to repurchase all the shares of the Company held by Series A Shares investor and reduce the registered capital. As of 31 December 2024, the Company paid the investment cost of RMB135,000,000 to the investor to redeem certain ordinary shares from the Company and the remaining RMB125,809,000 was settled in January 2025. The redemption liabilities of Series A Shares were fully settled in January 2025. In January 2025, the Company Completed the registration of this capital reduction with relevant authority.

In January 2025, the Company's shareholders' meeting approved the resolution to increase the registered capital of the Company. The Company received full consideration for the Series D1 Shares and Series D2 Shares in December 2024 and January 2025, respectively. The Company increased its share capital by 1,211,000 ordinary shares for Series D1 Shares investor and 1,059,000 ordinary shares for Series D2 Shares investor. In February 2025, the Company completed the registration of the increase in registered capital with relevant authority.

On 24 March 2025, the Company entered into a supplemental agreement with the investors of Series D1 Shares and Series D2 Shares. The redemption rights and other preferential rights granted by the Company to these two investors were terminated effective from the day before the Company submits [REDACTED] application materials and shall not be reinstated under any circumstances.

**39. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2024.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

# I. TAXATION

## (I) Taxes on Dividends

### *1. Individual investors*

Pursuant to the Individual Income Tax Law of the People's Republic of China《中華人民共和國個人所得稅法》(the "**Individual Income Tax Law**"), which was promulgated on September 10, 1980 and amended by the Standing Committee of the Thirteenth National People's Congress on August 31, 2018 and came into effect on January 1, 2019, and the Regulations on Implementation of the Individual Income Tax Law of the People's Republic of China《中華人民共和國個人所得稅法實施條例》, which was amended by the State Council on December 18, 2018 and came into effect on January 1, 2019, dividends distributed by PRC enterprises to individual investors are subject to withholding tax levied at a flat rate of 20%.

According to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》promulgated by the Ministry of Finance (the "**MOF**"), the State Taxation Administration (the "**SAT**") and CSRC on September 7, 2015, for individuals who acquire the stocks of a listed company from public offering or transferring market and hold the stocks for more than one year, the income from dividends shall be temporarily exempt from individual income tax, and all the income from dividends shall be included into the taxable income in case the holding period is less than one month (inclusive of one month); 50% thereof will be included into the taxable income in case the holding period is over one month but less than one year (inclusive of one year) temporarily; a unified tax rate at 20% shall be applicable to the aforesaid incomes in the levy of individual income tax.

In some cases, the withholding tax rate on dividend income of non-resident individuals may be lower than 20%. According to the Circular of the MOF and the State Taxation Administration on Issues Concerning Individual Income Tax Policies (財政部、國家稅務總局關於個人所得稅若干政策問題的通知), income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise are exempt from individual income tax temporarily. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution Proposed by Development and Reform Commission and Other Authorities(國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知) (Guo Fa [2013] No. 6). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (國務院辦公廳關於深化收入分配制度改革重點工作分工的通知) (Guo Ban Han [2013] No. 36). According to these two documents, foreign individuals' tax exemption for dividend income obtained from foreign-invested enterprises shall be cancelled. However, the local taxation bureau of Hubei

Province has issued an announcement, which clarifies that the tax exemption policy on dividends and bonuses of foreign individuals shall be canceled from February 3, 2013. Apart from that, up to now, no documents have been issued by other local governments to implement the provisions of Guo Fa [2013] No. 6. In practice, dividends and bonuses received by foreign individuals from foreign-invested enterprises can still be exempted from individual income tax.

According to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 45) (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises that issue shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, normally withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaty, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the Hong Kong Special Administrative Region (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第五議定書) effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

### 2. *Corporate investors*

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) that was amended and came into effect on December 29, 2018, and the Regulations for the Implementation of the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) that came into effect on January 20, 2025, where a non-resident enterprise has not set up any institutions or establishments in China, or it has done so, but its income generated in China is irrelevant to the said institutions or establishments, it shall pay the enterprise income tax on the portion of its income generated in China (including dividends received from a Chinese resident enterprise whose shares are issued and listed in Hong Kong) and the tax rate is generally 10%. The aforesaid income tax payable by a non-resident enterprise must be withheld at source. The payer of the income is the withholding obligator. The withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation.

The Notice of the Issues Concerning Withholding Enterprise Income Tax on the Dividends Distributed by Chinese Resident Enterprises to Overseas H-share Non-Chinese Resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》國稅函[2008]897號) that was promulgated by the SAT and came into effect on November 6, 2008, further clarifies that with regard to dividends distributed from profits generated after January 1, 2008, Chinese resident enterprises must withhold and pay enterprise income tax at a tax rate of 10% on dividends distributed to H-share non-Chinese resident enterprise shareholders. The Reply of the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (Guo Shui Han [2009] No. 394 (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》國稅函[2009]394號) that was promulgated by the SAT on July 24, 2009, further provides that any Chinese resident enterprise listed on any overseas stock exchange must withhold enterprise income tax at a rate of 10% on dividends distributed to non-Chinese resident enterprise shareholders. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a Hong Kong resident (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on

Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第五議定書) effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions. The application of the dividend clause of tax treaties shall be subject to the PRC tax laws and regulations, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

***3. Tax treaties***

Non-Chinese resident investors residing in countries that have entered into treaties for the avoidance of double taxation with China or residing in Hong Kong or Macao Special Administrative Region are entitled to preferential tax rates on dividends received by such investors from the Chinese companies. China has entered into arrangements for the avoidance of double taxation with Hong Kong and Macao Special Administrative Region, respectively, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. A non-Chinese resident enterprise entitled to a preferential tax rate under a relevant income tax treaty or arrangement may apply to China tax authorities for a refund of the difference between the amount of tax withheld and the amount of tax calculated according to the treaty rate.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (SAT Announcement No. 35 in 2019) (《非居民納稅人享受協定待遇管理辦法》(國家稅務總局公告2019年第35號)), which was promulgated by the SAT on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers are entitled to preferential treatment under the tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and be subject to subsequent administration by tax authorities.

**(II) Taxes on Income from Transfer of Equity**

***1. VAT and local surtax***

Pursuant to the Circular of the MOF and the SAT on Comprehensively Promoting the Pilot Programme of the Collection of VAT in Lieu of Business Tax (Cai Shui [2016] No.36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016] 36號)(the "**Circular 36**")) that was promulgated by the MOF and the SAT on March 23, 2016 and amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively, the entities and individuals that sell services, intangible assets or immovable properties within the territory of the PRC are value-added tax payers, and shall pay value-added tax instead of business tax. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to value-added tax at 6% on the taxable income.

Meanwhile, the taxpayers of value-added tax are also subject to urban maintenance and construction tax, education surtax and local education surtax.

**(III) Income Tax**

***1. Individual investors***

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, individuals shall pay the individual income tax at the rate of 20% on their income from the sale of equity in Chinese resident enterprises. In accordance with the Circular of the Declaring that Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《財政部及國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》(財稅字[1998] 61號)) (hereinafter referred to as "No. 61 Circular") that was promulgated by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares of listed companies remain exempt from individual income tax. According to the Announcement on the Catalogue of Preferential Individual Income Tax Policies with Continued Effect (Announcement No. 177 of the MOF and the SAT in 2018) (《財政部、國家稅務總局關於繼續有效的個人所得稅優惠政策目錄的公告》(財政部稅務總局公告2018年第177號)) promulgated by the MOF and the SAT on December 29, 2018, the No. 61 Circular will remain effective.

According to the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No.167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》(財稅[2009]167號)) promulgated by the MOF, the SAT and the CSRC on December 31, 2009, individuals' income from transferring at Shanghai Stock Exchange or Shenzhen Stock Exchange the shares of a listed company acquired from the public offerings of the company or from the transfer market shall continuously be exempt from the individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2010] No.70) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》(財稅[2010]70號)) jointly issued by the three aforementioned authorities on November 10, 2010. According to the Announcement of the SAT, the MOF and the CSRC on Matters Relating to Further Improving the Collection and Management of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Announcement No. 14 of the SAT, the MOF and the CSRC in 2024)《關於進一步完善個人轉讓上市公司限售股所得個人所得稅有關征管服務事項的公告》(國家稅務總局財政部中國證監會公告2024年第14號), the tax payment place for the individual income tax on the income received by individuals from the transfer of listed shares subject to sales limitation shall be the place where the listed company that issued the shares subject to sales limitation is located.

As at the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-resident individuals on the sale of shares of PRC-resident enterprises listed on overseas stock exchanges (for example, the Stock Exchange).

***2. Corporate investors***

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementation regulations, where a non-Chinese resident enterprise has not set up any institutions or establishments in China, or it has done so but its income generated in China is irrelevant to the said institutions or establishments, it shall pay the enterprise income tax on the portion of its income generated in China (including gains from the disposal of shares of Chinese resident enterprises) and the tax rate is generally 10%. Such tax may be reduced or eliminated under applicable tax treaties or arrangements. Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (SAT Announcement No. 35 in 2019) (《非居民納稅人享受協定待遇管理辦法》(國家稅務總局公告2019年第35號)), preferential treatment under tax treaties refers to the enterprise income tax and individual income tax payable according to the provisions of the tax laws in China may be reduced or exempted.

***3. Tax policies for Shanghai — Hong Kong Stock Connect***

On October 31, 2014, the MOF, the SAT and the CRSC jointly promulgated the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No.81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) (hereinafter referred to as "**Shanghai — Hong Kong Stock Connect Taxation Policy**"). Pursuant to the Shanghai — Hong

Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Stock Exchange through Shanghai — Hong Kong Stock Connect is included in their total income and enterprise income tax is levied on such income in accordance with the law. The income from dividends and bonuses obtained by corporate investors of the mainland of China investing in stocks listed on the Stock Exchange through Shanghai — Hong Kong Stock Connect is included in their total income. The enterprise income tax is levied on such income in accordance with the law. Among them, enterprise income tax will be exempt according to law for income from dividends and bonuses obtained by resident enterprises of the Mainland of China that hold H Shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonuses obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

For dividends and bonuses obtained by individual investors of the Mainland of China investing in H Shares listed on the Stock Exchange through Shanghai — Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) (hereinafter referred to as "**CSDCC**") for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China. The H-share companies shall withhold individual income tax at a rate of 20%.

*4. Tax policies for Shenzhen — Hong Kong Stock Connect*

On November 5, 2016, the MOF, the SAT and the CRSC jointly issued the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)(hereinafter referred to as "**Shenzhen — Hong Kong Stock Connect Taxation Policy**"). Pursuant to the Shenzhen — Hong Kong Stock Connect Taxation Policy, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Stock Exchange through Shenzhen — Hong Kong Stock Connect is included in their total income and enterprise income tax is levied on such income in accordance with the law. The income from dividends and bonuses obtained by corporate investors of the mainland of China investing in stocks listed on the Stock Exchange through Shenzhen — Hong Kong Stock Connect is included in their total income. The enterprise income tax is levied on such income in accordance with the law. Enterprise income tax will be exempt according to law for income from dividends and bonuses obtained by resident enterprises of the Mainland of China that hold H Shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonuses obtained by corporate investors of the Mainland of China. The tax payable shall be declared and paid by the enterprises themselves.

For dividends and bonuses obtained by individual investors of the Mainland of China investing in the H Shares listed on the Stock Exchange through Shenzhen — Hong Kong Stock Connect, the H-share companies shall apply to the CSDCC for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China, and the H-share companies shall withhold individual income tax at a rate of 20%.

**(IV) Stamp Duty**

In accordance with the Stamp Tax Law of the PRC (《中華人民共和國印花稅法》) that was promulgated on June 10, 2021 and came into effect on July 1, 2022, the entities and individuals that conclude taxable certificates, or conduct securities transactions within the territory of the PRC shall be taxpayers of stamp tax, and shall pay stamp tax in accordance with the provisions of this law. Where entities or individuals, outside the territory of the PRC, conclude taxable certificates that are used within the territory of the PRC, they shall pay stamp tax in accordance with the provisions of this law.

**(V) Estate Duty**

As at the date of this document, China currently has not imposed any estate tax.

## II. FOREIGN EXCHANGE ADMINISTRATION REGULATIONS IN THE PRC

The principal regulations governing foreign currency exchange in the PRC is the Regulations of the PRC on Foreign Exchange Administration which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) which was promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the SAFE or its local counterparts is obtained.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries business of foreign exchange settlement and sale by presenting valid documentation. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' general meetings on the distribution of profits, effect payment from foreign exchange accounts or with the purchased foreign exchange at designated foreign exchange banks.

On December 26, 2014, the SAFE issued the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (Hui Fa [2014] No. 54) (《國家外匯管理局關於境外上市外匯管理有關問題的通知》(匯發[2014]54號)), pursuant to which a domestic company shall, within 15 working days upon the end of its overseas public offering, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials. Funds raised by a domestic company through overseas listing may be transferred back or deposited overseas, and the use of such funds shall be consistent with those contents mentioned in publicly disclosed documents such as the document.

On February 13, 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)), which came into effect on June 1, 2015 and was partially repealed on December 30, 2019. The notice has cancelled the approval of foreign exchange registration under domestic direct investment and the approval of foreign exchange registration under overseas direct investment. Instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its local counterparts shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular of the SAFE on Reforming and Regulating Policies for the Administration over Foreign Exchange Settlement of Capital Accounts (Hui Fa [2016] No. 16) (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》(匯發》[2015]16號)) issued by the SAFE on June 9, 2016, the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. The foreign exchange receipts under capital accounts (including foreign exchange capital, foreign debts, and repatriated funds raised through overseas listing) subject to discretionary settlement as expressly prescribed in the relevant policies may be settled with banks according to the actual need of the domestic institutions for business operation. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to international balance of payments.

## I. PRC LEGAL SYSTEM

The PRC legal system is composed of the Constitution, laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute binding precedents, although they may be used for the purpose of judicial reference and guidance.

Pursuant to the Constitution of the People's Republic of China (《中華人民共和國憲法》) (hereinafter referred to as the "Constitution", promulgated on December 4, 1982, and last amended and took effect on March 11, 2018) and the Legislative Law of the People's Republic of China (《中華人民共和國立法法》) (adopted on July 1, 2000 and amended on March 15, 2023, hereinafter referred to as the "**Legislation Law**"), the NPC and the NPC Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The NPC Standing Committee formulates and amends laws other than those required to be formulated by the NPC, and partially supplements and amends laws formulated by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

The State Council is the highest administrative organs of the state, and has the power to enact administrative regulations under the Constitution and laws.

People's congresses of provinces, autonomous regions and municipalities directly under the central government and their standing committees may formulate local regulations based on the specific circumstances and needs of their respective administrations, provided that such local regulations shall not be in conflict with the Constitution, laws or administrative regulations.

The ministries, commissions, PBOC, the National Audit Office of the People's Republic of China, and the National Supervisory Commission of the People's Republic of China with administrative functions, may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and administrative regulations, decisions and rulings of the State Council. In order to implement the laws, administrative regulations and decisions and rulings of the State Council, provisions of rules and regulations within the jurisdiction are formulated.

People's congresses of cities with districts and their standing committees may enact local regulations based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the Constitution, laws, and administrative regulations.

People's congresses of autonomous regions may enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval by the NPC Standing Committee. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomous regulations and separate regulations so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the Constitution and the law of regional ethnic autonomy, as well as other relevant laws and administrative regulations.

People's governments of provinces, autonomous regions and municipalities directly under the central government and larger cities may formulate rules according to laws, administrative regulations and relevant local regulations.

The Constitution of the People's Republic of China is basis of the PRC legal system and has supreme legal authority, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The hierarchy of laws is higher than that of administrative regulations, local regulations, and rules. The hierarchy of administrative regulations is higher than that of local regulations and rules. The hierarchy of local regulations is higher than that of the rules of the local governments at or below the corresponding level. The hierarchy of the rules enacted by the people's governments of the provinces or autonomous regions is higher than that of the rules enacted by the people's governments of cities and autonomous prefectures with districts within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the NPC Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by the NPC Standing Committee but which contravene the Constitution or the Legislation Law. The NPC Standing Committee has the power to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or separate regulation which has been approved by NPC Standing Committee of the relevant provinces, autonomous regions or municipalities directly under the central government but contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congress of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

According to the Constitution, the authority of the interpretation of laws shall be vested to the NPC Standing Committee. According to the Decision of the Standing Committee of National People's Congress Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, interpretation on the application of laws and decrees in court trails and the procuratorial work of the procuratorates shall be given by the Supreme People's Court and the Supreme People's Procuratorate of the PRC (中華人民共和國最高人民檢察院), respectively. Interpretation of the laws and decrees unrelated to trials and procuratorial work shall be given by the State Council and the competent ministries and commissions.

In the case that clarification or additional provisions shall be made for the local regulations, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the central government which enacted such regulations shall give the interpretation or formulate the additional provisions. Interpretation on the application of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities directly under the central government.

## II. PRC JUDICIAL SYSTEM

Under the Constitution of the People's Republic of China and the Organic Law of the People's Court of the People's Republic of China (《中華人民共和國人民法院組織法》) which was promulgated on July 5, 1979, implemented on January 1, 1980 and last amended on October 26, 2018 and took effect on January 1, 2019, the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may be organized into civil, criminal, and economic tribunals. The intermediate people's courts may be organized into divisions similar to those of the basic people's courts, and may be further organized into other special divisions. The people's courts at lower levels are subject to the supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts at same or lower levels.

The people's courts adopt a "second instance as final" appellate system in the trail of the cases. A party to the case concerned may appeal against the judgement and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorates may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorates within the stipulated period, the judgement and ruling of the first instance by the local people's courts shall be final and legally binding. Judgements and rulings of the second instance of the intermediate people's courts, the higher people's courts and Supreme People's Court and the judgements and rulings of the first instance of the Supreme People's Court shall be the final judgements and rulings. If, however, the Supreme People's Court finds some definite errors in a legally effective judgement, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgement, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgement, ruling or conciliation statement, and considers that a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision. For death penalties, except those judged by the Supreme People's Court, requests shall be submitted to the Supreme People's Court for approval.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as the "**Civil Procedure Law**"), which was promulgated on April 9, 1991 and last amended on September 1, 2023 and took effect on January 1, 2024, sets forth the criteria for instituting a civil case, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by the people's court located in the defendant's place of domicile. The parties to a contract may, by an express agreement, select a competent court where civil actions may be brought, provided that the competent court has jurisdiction over the plaintiff's or the defendant's place of residence, the place of execution of the contract or the place of performance of the contract, or the object of the action or locations which have substantial connections with the dispute. However, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual, a stateless person, a foreign enterprise or a foreign organization is given the equal litigation rights and obligations as a citizen, a legal person or other organizations in the PRC when initiating actions or defending against litigations at a PRC court. Should foreign courts impose restrictions on the litigation rights of the citizens, legal persons or other organizations in the PRC, the PRC courts shall impose reciprocal restrictions on the litigation rights of citizens, enterprises and organizations in that country. A foreign individual, a stateless person, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgements and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement on the party.

A party seeking to enforce a judgement or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or order. In the case of an application or request for recognition and enforcement of a legally effective judgement or order of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgement or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

## III. THE PRC COMPANY LAW, THE OVERSEAS LISTING TRIAL MEASURES AND THE GUIDELINES ON THE ARTICLES OF ASSOCIATION

The Company Law of the PRC which was promulgated on December 29, 1993 by the NPC Standing Committee, last amended on December 29, 2023 and came into effect on July 1, 2024 regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The amendment to the PRC Company Law in 2013 has cancelled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system.

The Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (hereinafter referred to as the "**Overseas Listing Trial Measures**") promulgated by the CSRC on February 17, 2023 with effect from March 31, 2023 are applicable to the overseas securities offering and listing by the PRC domestic companies.

The Guidelines on the Articles of Association for Listed Companies (hereinafter referred to as the "**Articles Guidelines**") last amended by the CSRC on December 15, 2023 with effect from the same date provide guidance for the company's articles of association.

### General

A joint-stock limited liability company (hereinafter referred to as the "**company**") refers to a corporate legal person established in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

### Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of one but no more than 200 promoters, and at least half of the promoters must have domicile in the PRC. Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For a company incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the company registration authority. The promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the company's articles of association. Procedures relating to the transfer of titles to non-monetary property shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for the capital contribution under the company's articles of association, a board of directors and a supervisory committee shall be elected and the board of directors shall apply for registration of establishment by filing the company's articles of association with the company registration authority, and other documents as required by the law or administrative regulations. It shall not raise capital from others before the promoters fully pay the capital subscribed by them; for companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with the company registration authority.

After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall 15 days before the meeting notify all subscribers or make a public announcement of the date of the inaugural meeting.

The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. At the inaugural meeting, matters including the adoption of the company's draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall authorize representatives to apply for registration with the company registration authority. The company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued by the relevant registration authority. Where after the incorporation of a company, a promoter fails to pay in full the subscription moneys in accordance with the provisions of the company's articles of association, he shall pay them in full and the other promoters shall bear joint and several liabilities. Where it is discovered that the actual evaluation of the non-currency property used as capital contributions for the incorporation of the company is obviously less than the evaluation prescribed by the company's articles of association, the promoters shall make up the difference; and the other promoters shall bear joint and several liabilities.

If the shares required to be issued at the time of the establishment of a company are not fully subscribed, or if, after the full payment for the issued shares, the promoters fail to convene an establishment meeting within 30 days, any subscriber may demand the promoters to refund their subscriptions, plus the interest calculated based on the bank interest rate for the corresponding period.

In cases where the company is not established, the legal consequences shall be borne by the shareholders at the time of establishment; if there are two or more shareholders at the time of establishment, they shall have joint and several claims and bear joint and several liabilities.

If a shareholder at the time of establishment causes harm to another person due to performance of their responsibilities for the establishment of the company, the company or other faultless shareholders may seek to recover any resulting compensation liability borne by them from the shareholder at fault.

**Share capital**

The promoters may make capital contribution in currencies, or non-monetary assets such as in kind, intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out in accordance with the laws or administrative regulations on valuation without any over-valuation or under-valuation.

Shares shall be issued in a fair and equitable manner. The same class of shares must carry equal rights. Shares of the same class issued at the same time must be issued on the same conditions and at the same price. The same price per share shall be paid by a subscriber, an entity or an individual, and shall be equal to or greater than the nominal value of the share and shall not be less than the nominal value.

A PRC domestic company shall file with the CSRC before offering its shares to the public overseas. Pursuant to the Overseas Listing Trial Measures, the target investors for overseas issuance and listing of a domestic company shall be overseas investors, except as in compliance with the Overseas Listing Trial Measures or otherwise provided by the state.

Under the PRC Company Law, a company shall prepare a shareholder register and place it within its premises which sets forth the following matters:

(i) the name and domicile of each shareholder;

(ii) type and quantity of subscribed shares for each shareholder;

(iii) for stocks issued in paper form, the stock serial numbers;

(iv) the date on which each shareholder purchased the shares.

**Increase in share capital**

According to the PRC Company Law, if a company proposes to issue new shares, resolutions shall be passed at a Shareholders' general meeting in accordance with the articles of association to determine the class, amount and issue price of the new shares.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the PRC Securities Law provides that the company shall:

(i) have a sound organisational structure with satisfactory operating record;

(ii) the company is a going concern;

(iii) the accountants have issued an unqualified audit report on the financial and accounting documents of the company for the past three years;

(iv) the company and its controlling shareholders and de facto controllers have not had any criminal records in the past three years in relation to corruption, bribery, embezzlement, misappropriation of assets and breach of socialist market economic order; and

(v) other requirements as prescribed by the securities regulatory authority of the State Council approved by the State Council.

Pursuant to the PRC Company Law, when the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, a company must change its registration with the company registration authority and issue a public notice accordingly.

**Reduction of share capital**

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders in a Shareholders' general meeting;

(iii) the company shall inform its creditors of the reduction in registered capital within ten (10) days and publish an announcement of the reduction in the newspaper or the National Enterprise Credit Information Publicity System within thirty (30) days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; The creditors shall, within thirty (30) days from the date they receive the written notice, or within forty five (45) days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and

(v) the company must apply to the company registration authority for registration of the reduction in registered capital.

**Repurchase of shares**

A company may not repurchase its own shares other than for one of the following purposes:

(i) reducing the registered capital of the company; or

(ii) merging with another company that hold shares in the company; or

(iii) applying the shares for the staff shareholding scheme or as share incentives; or

(iv) shareholders who disagree with the resolutions for the merger and separation of the company made in a Shareholders' general meeting may demand the company to purchase their shares; or

(v) utilising the Shares for conversion of corporate bonds which are convertible into shares issued by the listed companies;

(vi) where it is necessary for the listed companies to safeguard its value and shareholders' interests.

Where the company needs to purchase its own shares under any of the circumstances set out in clauses (i) and (ii) under the preceding article, it shall be subject to a resolution of a Shareholders' general meeting. Where the company needs to purchase its own shares under any of the circumstances set out in clauses (iii), (v) and (vi) under the preceding article, it shall be made as prescribed by the articles or under the authorisation by a Shareholders' general meeting and approved by way of a resolution at the board meeting attended by more than two thirds of the directors of the company.

After the company purchases its own shares under the circumstance set out in clauses (i), it shall cancel the purchased shares within 10 days after the purchase; while under either circumstance set out in clauses (ii) or (iv), transfer them or write them off within six months; while under any of the circumstances set out in clauses (iii), (v) or (vi), the aggregate number of shares of the company held by itself shall not exceed 10% of its total shares in issue and the company shall transfer them or write them off within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure. A listed company purchasing its own shares under any of the circumstances set out in clauses (iii), (v) and (vi) shall carry out trading in a public and centralised manner.

A company may not accept its own shares as the subject matter of a mortgage.

**Transfer of shares**

Shares may be transferred in accordance with the relevant laws and regulations.

According to the PRC Company Law, a shareholder may transfer his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Stocks may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or five days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any otherwise stipulated legal provisions on the registration of changes in the share register of listed companies.

According to the PRC Company Law, Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Where any laws, administrative regulations, or the securities regulatory authority under the State Council have other provisions regarding the transfer of shares of a listed company by its shareholders or actual controllers, those provisions shall prevail. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

**Shareholders**

Under the PRC Company Law and the Articles Guidelines, the rights of holders of ordinary shares of a joint stock limited company include the rights:

(i) to attend or appoint a proxy to attend shareholders' general meetings and to exercise the voting rights;

(ii) to transfer the shares according to the laws and administrative regulations and the articles of association;

(iii) to inspect the articles of association, shareholder register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or inquiries in respect of the company's operations;

(iv) to petition the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board of directors any contents of which is in violation of the articles of association;

(v) to receive dividends and other types of interest distributing in respect of the number of shares held;

(vi) to receive residual properties of the company in proportion to their shareholdings upon the terminating or liquidation of the company; and

(vii) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in laws, administrative regulations, regulatory documents and the articles of association.

**Shareholders' general meeting**

The Shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to elect and remove the directors and supervisors and to decide on the matters relating to the remuneration of directors and supervisors;

(ii) to review and approve the reports of the board of directors;

(iii) to review and approve the reports of the supervisory board;

(iv) to review and approve the company's profit distribution proposals and loss recovery proposals;

(v) to decide on any increase or reduction of the company's registered capital;

(vi) to decide on the issue of corporate bonds;

(vii) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(viii) to amend the company's articles of association; and

(ix) to exercise any other authority stipulated in the articles of association.

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

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the laws or less than two-thirds of the number specified in the articles of association;

(ii) the outstanding losses of the company reach one-third of the company's total paid-in share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting shall be convened;

(iv) the board deems necessary;

(v) the supervisory board so requests;

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

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over such meeting in a timely manner. If the supervisory board fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over such meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting.

Under the PRC Company Law, a single shareholder who holds, or several shareholders who jointly hold, 1% or more of the shares of the company may submit an interim proposal in writing to the board of directors 10 days before the general meeting is held. The board of directors shall, within two days upon receipt of the proposal, notify the other shareholders, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made.

The general meeting shall not make resolutions on matters that are not clearly listed in the notices given to the shareholders.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, except for shareholders of non-ordinary shares, save that shares held by the company are not entitled to any voting rights. Resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters. An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Minutes shall be prepared in respect of matters considered at the general meeting and the shareholders attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

**Board of directors**

The board of directors of a company shall consist of three or more members, and may include employee representatives among them. In the case of a company with three hundred or more employees, except when a board of supervisors has been established including a number of employee representatives among its members as required by law, the company's board of directors shall include employee representatives among its members. An employee representative on the board of directors shall be elected by the company's employees through the employee representative assembly, employee assembly, or other forms of democratic elections. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise the following powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolution passed by the shareholders at the shareholders' general meeting;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate the company's profit distribution proposals and loss recovery proposals;

(v) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vi) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(vii) to decide on the setup of the company's internal management organs;

(viii) to appoint or dismiss the company's general manager and decide on his/her remuneration and, based on the general manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(ix) to formulate the company's basic management system;

(x) to exercise any other authority stipulated in the articles of association or granted by the shareholders' meeting.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorisation that his/her representative has. The board of directors shall prepare minutes of the meetings of the board of directors and such minutes shall be signed by the directors present at the meeting.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following persons may not serve as a director of a company:

(i) a person who is unable or has limited ability to undertake any civil liabilities;

(ii) a person who has been subjected to criminal punishment for corruption, bribery, embezzlement or misappropriation of property, or disruption of the economic order of the socialist market, or who has ever been deprived of political rights due to a criminal conviction, and five years have not elapsed since the term of punishment was completed, or in the case of a suspended sentence, two years have not elapsed since the probation period was completed;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into in solvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) any former legal representative of a company or enterprise which has had its business license revoked or been ordered to shut down due to any violation of the law, and where the individual was personally responsible for the situation, and three years have not elapsed since the date of revocation of business license or shutdown order; and

(v) a person identified as a subject of enforcement for breach of trust by the people's court for failure to repay a significant amount of overdue debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

A company may, as stipulated in its articles of association, establish an audit committee within the board of directors composed of directors to exercise the functions and powers prescribed for the board of supervisors by this Law, without establishing a board of supervisors or supervisors.

**Supervisory board**

A company shall establish a supervisory board composed of three or more members. The supervisory board consists of shareholder representatives and an appropriate proportion of employee representatives. The actual proportion shall be determined in the articles of association, provided that the proportion of employee representatives shall not be less than one-third. Employee representatives at the supervisory board shall be democratically elected by the company's staff at the employees' representative congress, general staff meeting or otherwise. Directors and senior management shall not concurrently serve as supervisors. The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and vice chairman of the supervisory board shall be elected by more than half of the supervisors.

According to the Reply of the Overseas Listing Department of the CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), the chairman of the supervisory board shall be appointed by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over supervisory board meetings. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated any laws, regulations, the articles of association or shareholders' resolutions;

(iii) to require the directors and senior management to rectify their actions when such actions are detrimental to the company's interests;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against the directors and senior management pursuant to the relevant provisions of the PRC Company Law; and

(vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operations of the company and, if necessary, may engage an accounting firm to assist its work at the cost of the company.

**Manager and senior management**

A company shall have a general manager who shall be appointed or removed by the board of directors. The general manager shall report to the board of directors and exercise functions and powers as specified in the articles of association or as authorized by the board of directors.

The general manager shall be present at meetings of the board of directors. However, the general manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the general manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

**Duties of directors, supervisors, the general manager and other senior management**

Directors, supervisors, the general manager, the deputy general manager and senior management are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and carry out their duties in good faith and with due diligence.

Directors, supervisors, senior management are prohibited from accepting bribes or other unlawful income and from misappropriating the company's property.

Directors and senior management are prohibited from:

(i) embezzling company property or misappropriating company funds;

(ii) depositing company funds into accounts opened under their own names or the names of other individuals;

(iii) personally accepting commissions on transactions to which the company is a party;

(iv) disclosing the company's confidential information without authorization; and

(v) committing any other acts in breach of their fiduciary duties to the company.

Any income obtained by directors or senior management in violation of aforementioned provisions shall be returned to the company.

If any director, supervisor or member of senior management violates any law, regulation or the company's articles of association in the performance of his/her duties causing loss to the company, he/she shall be liable to compensate the company for such loss.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true and accurate information and data to the supervisory board, or if a limited liability company has no supervisory board, supervisors, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or the articles of association in the performance of his/her duties causing any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares consecutively for over 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory board violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institutes litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management violates any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

**Finance and accounting**

The company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium received from the issuance of shares by the company at a price exceeding the par value of the shares, the capital obtained from the issuance of non-par value shares not included in the registered capital, and other items stipulated by the financial department of the State Council to be included in the capital reserve, shall be credited to the capital reserves. The common reserve fund of the company shall be used to cover the company's losses, expand its business operations or increase its capital. When using the company's reserves to cover its losses, the balances of the discretionary reserves and statutory reserves shall be used first to cover such losses; if there is still a shortfall, the capital reserves may be used in accordance with regulations. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company prior to such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of any individual.

**Appointment and removal of auditors**

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a shareholders' general meeting, the board of directors, or the supervisory board in accordance with the articles of association. The accounting firm should be allowed to present its views when the general meeting or the board of directors vote on the dismissal of the accounting firm at their respective meetings. The company shall provide true and complete accounting vouchers, accounting books, financial and accounting reports, and other accounting materials to the engaged accounting firm and shall not refuse to provide, conceal, or falsify such materials.

**Profit distribution**

According to the PRC Company Law, the company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

**Amendments to the articles of association**

Pursuant to the PRC Company Law, a resolution of the shareholders' general meeting to amend the company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting.

**Dissolution and liquidation**

Pursuant to the PRC Company Law, the company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(v) the company is dissolved by a people's court in request of shareholders holding shares representing more than 10% of the total voting rights of all shareholders of the company, on the grounds that the operations and management of the company have suffered serious difficulties that cannot be resolved through other means, rendering on-going existence of the company a cause for significant losses to the shareholders.

In cases where a company falls under the circumstances specified in subparagraph (i) or (ii) above and has not yet distributed its assets to shareholders, it may continue its existence by amending its articles of association or by resolution of the shareholders' meeting. Any amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee within 15 days of the occurrence of the dissolution event. The liquidation committee shall be composed of directors or any other persons determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may petition a people's court to appoint relevant personnel to form a liquidation committee to conduct the liquidation. The people's court shall accept such petition and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with any outstanding business related to the liquidation;

(iv) to pay any overdue tax together with any tax arising during the liquidation process;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall, in making his claim, state all matters relevant to his creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to the shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before settlements are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to perform their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declaring bankruptcy according to laws shall be processed in accordance with the laws on corporate bankruptcy.

**Overseas listing**

Pursuant to the Overseas Listing Trial Measures, if a PRC domestic company submits an initial public offering application to an overseas regulatory authority or an overseas stock exchange, the issuer shall file with the CSRC within three business days after submitting the application.

**Loss of share certificates**

If a share certificate is either lost, stolen or destroyed, the shareholder may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people's court for a judicial declaration that such certificate will no longer be valid. After such declaration has been obtained, the shareholder may apply to the company for the issuance of a replacement share certificate.

**Suspension and termination of listing**

The PRC Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Pursuant to the Overseas Listing Trial Measures, in the case of voluntary or mandatory termination of listing, the issuer shall report the specific situation to the CSRC within three business days from the date of the occurrence and announcement of the relevant event.

**Merger and division**

Pursuant to the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare their respective balance sheets and inventory of assets. The companies shall notify their respective creditors within 10 days from the date of passing the resolution approving the merger and publicly announce the merger within 30 days. Creditors may demand the company to settle any outstanding debts or provide relevant guarantees within 30 days of receiving the notification, or within 45 days of the date of the announcement if no notification was received. In the event of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the newly established company.

In the event of a division, the company's assets shall be divided, and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company shall notify all its creditors within 10 days from the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless a written agreement is reached with creditors in respect of the settlement of debts, the liabilities of the company which have accrued prior to such division shall be subject to joint liability by the successor companies.

## III. THE PRC SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issuance and trading of our shares and disclosure of information. In October 1992, the State Council established the Securities Committee (國務院證券委員會) and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. On March 29, 1998, the State Council consolidated the aforementioned two departments and reformed the CSRC.

On April 22, 1993, the Provisional Regulations Concerning the Issuance and Trading of Shares (《股票發行與交易管理暫行條例》) were promulgated by the State Council to govern the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settling and transfer of listed equity securities, as well as the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issuance, subscription, trading and declaration of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the PRC (《中華人民共和國證券法》) took effect on July 1, 1999 and was revised as at August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles regulating, among other matters, the issuance and trading of securities, takeovers of listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises must comply with the relevant regulations of the State Council to, directly or indirectly, issue securities or lists its securities to be traded outside the PRC. Currently, the issuance and trading of foreign issued securities (including H share) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

On August 10, 2023, the CSRC promulgated the Guidance of H-share Companies Applying for "Full Circulation" Business of Unlisted Shares in China ([2023] No. 50) (《H股公司境內未上市股份申請「全流通」業務指引》), which came into effect on the same day. This provision is to regulate the listing and circulation (hereinafter referred to as "**Full Circulation**") of unlisted domestic shares of H-share companies listed on the Hong Kong Stock Exchange (including unlisted domestic shares held by domestic shareholders before overseas listing, unlisted domestic shares issued in China after overseas listing and unlisted shares held by foreign shareholders) on the Stock Exchange. Subject to compliance with relevant laws and regulations, as well as the policy requirements of state-owned assets management, foreign investment and industry regulation, the holders of unlisted domestic shares may independently determine the number and proportion of shares for which an application will be filed for circulation, and entrust H-share companies to file with the CSRC. Unlisted domestic joint-stock limited companies may file with the CSRC for "Full Circulation" simultaneously at the time of its overseas initial public offering and listing.

## IV. ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organisations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association (中國仲裁協會) of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case, unless the arbitration agreement is null and void.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award made by the arbitration body shall be final and conclusive and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. The people's court shall enforce the arbitral award upon receipt of the application. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

A party seeking to enforce an arbitral award of PRC Arbitration Tribunal against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or participated in by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution passed by the SCNPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the arbitration for enforcement is made. At the time of the PRC's accession to the New York Convention, the SCNPC declared that (i) the New York Convention will only be applied to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on January 24, 2000 and became effective on February 1, 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) (Articles 1 and 4 became effective on November 27, 2020, and Articles 2 and 3 became effective on May 19, 2021) promulgated on November 26, 2020, the courts of Hong Kong agree to enforce the awards made pursuant to the Arbitration Law by the arbitral authorities in the Mainland (the list to be supplied by the Legislative Affairs Office of the State Council (國務院法制辦公室) through the Hong Kong and Macao Affairs Office of the State Council (國務院港澳事務辦公室)) and the people's courts of the Mainland agree to enforce the awards made in the Hong Kong pursuant to the Arbitration Ordinance of the Hong Kong. If the people's courts of the Mainland find that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the courts of Hong Kong decide that the enforcement of the arbitral awards in Hong Kong will be against public policies of Hong Kong, the awards may not be enforced.

## V. JUDICIAL JUDGEMENT AND ENFORCEMENT

According to the Arrangement on Mutual Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final and enforceable judgement with payment requirement, made by the court of China and the court of Hong Kong in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the people's court of China or the court of Hong Kong for recognition and enforcement of such judgement based on this arrangement. "Written jurisdiction agreement" refers to a written agreement between the parties concerned giving the exclusive jurisdiction of either the people's court of China or the court of Hong Kong in order to resolve dispute relating to particular legal relation occurred or likely to occur. Therefore, the party concerned may apply to the court of China or the court of Hong Kong to recognise and enforce the final judgement made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

On January 18, 2019, the Supreme People's Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a written jurisdiction agreement for bilateral recognition and enforcement. The New Arrangement came into effect on January 29, 2024, after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement supersedes the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administration Region Pursuant to Agreed Jurisdiction Agreements between Parties Concerned. It stipulates the application of the new arrangement for the reciprocal recognition and enforcement of effective judgments in civil and commercial matters by the courts of the Mainland and of the Hong Kong Special Administration Region, as well as for the reciprocal recognition and enforcement of effective judgments concerning civil compensation in criminal cases.

## I. SHARES

### (I) Issuance of Shares

The shares of the Company shall be in registered form.

The issue of the shares of the Company shall be based on the principles of openness, fairness, and impartiality, and shall rank *pari passu* in all respects with the shares of the same class.

Each of the shares of the same class shall be issued under the same conditions and at the same price in each issuance, and the same price shall be paid for each of the shares subscribed for by subscribers.

### (II) Increase, Reduction and Repurchase of Shares

In accordance with laws and regulations, the Company may, based on its operating and development needs and the resolution of the general meeting, increase its capital by the following ways:

(i) issuing shares to unspecified parties;

(ii) issuing shares to specific parties;

(iii) distributing bonus shares to existing shareholders;

(iv) conversion of its capital reserve to share capital;

(v) other ways required by laws, administrative regulations, and the CSRC.

The Company may reduce its registered capital. Where the Company reduces its registered capital, the shares shall be reduced in proportion to the shares held by shareholders, unless all shareholders unanimously agree not to reduce the registered capital in accordance with the proportion of shares held by the shareholders.

The Company shall not repurchase its own shares, except under any of the following circumstances:

(i) to reduce the registered capital of the Company;

(ii) to merge with another company that holds the shares of the Company;

(iii) to use the shares for Employee Stock Ownership Plan or as equity incentive;

(iv) shareholders who object to a merger or separation resolution made at the general meeting requesting the Company to acquire their shares;

(v) to utilize shares to satisfy the conversion of corporate bonds that are convertible into shares issued by the Company;

(vi) when it is necessary for the Company to protect the company value and the shareholders' equity.

The Company may acquire its shares in any of the following ways:

(i) offering to buy back shares from all shareholders on a pro rata basis;

(ii) buying back through open transaction;

(iii) other circumstances required by laws and administrative regulations.

Where the Company acquires its shares under the circumstances set out in item (I) or (II) of Article 21 hereof, it shall be resolved at the general meeting. Where the Company acquires its shares under the circumstances set out in item (III), (V) or (VI) of Article 21 hereof, it shall be resolved at a Board meeting attended by more than two-thirds of the Directors in accordance with the provisions of the Articles of Association or upon authorization by the general meeting.

After the Company acquires its shares under the circumstances set out in Article 21, in the case of item (I), the shares shall be canceled within ten days from the date of acquisition; in the case of items (II) and (IV), the shares shall be transferred or canceled within six months; in the case of items (III), (V), and (VI), the shares held in the aggregate by the Company shall not exceed 10% of the total issued shares of the Company, and the shares shall be transferred or canceled within three years.

**(III) Transfer of shares**

Shares issued by the Company prior to its public offering shall not be transferable within one year from the date on which the shares are listed and traded in a stock exchange.

The Directors, supervisors and senior management of the Company shall declare the number of shares held by them and the relevant changes to the Company. The number of shares transferred each year during their term of office as determined at the time of their taking office shall not exceed 25% of the total number of shares of the Company held by them. The shares of the Company held by them shall not be transferable within one year from the date of listing and trading of the shares. The shares of the Company held by them shall not be transferable within six months after their resignation.

For the Company's Directors, supervisors, senior management and shareholders holding more than 5% of the Company's shares, if they have sold the shares of the Company or other securities with an equity nature held by them within six months after purchasing, or if they have purchased such shares or securities again within six months after selling them, the gains obtained therefrom shall be attributed to the Company and be forfeited by the Board of the Company. However, securities companies holding more than 5% of the shares due to the purchase of the remaining shares after underwriting, and other circumstances stipulated by the CSRC are excluded.

## II. SHAREHOLDERS AND GENERAL MEETINGS

### (I) General Rules of Shareholders

The Company shall maintain a register of shareholders. The register of shareholders shall be the sufficient evidence proving the shareholders' holding of the Company's shares. The shareholders shall enjoy the rights and assume the obligations according to the class of the shares they hold. The shareholders holding the same class of shares shall enjoy the equal rights and assume the equal obligations.

Shareholders of the Company shall enjoy the following rights:

(i) to receive dividends and other forms of distribution of interests in proportion to their respective shareholdings;

(ii) to request the convening, organizing, presiding over, attending or appointing a proxy to attend the general meeting and exercise the corresponding voting rights in accordance with the law;

(iii) to supervise, and make recommendations or inquiries on the operation of the Company;

(iv) to transfer, bestow or pledge the shares they hold according to the laws, administrative regulations and the Articles of Association;

(v) to inspect and copy the Articles of Association, the register of shareholders, minutes of general meetings, resolutions of the Board meetings and meetings of the Supervisory Committee, and financial and accounting reports, and to make recommendations or inquiries on the operation of the Company. Shareholders who meet the requirements may inspect the accounting books and accounting vouchers of the Company;

(vi) to participate in the distribution of the Company's remaining assets in proportion to their shareholdings upon the termination or liquidation of the Company;

(vii) to require the Company to acquire its shares by the shareholders who object to a resolution of a general meeting on the merger or division of the Company at a reasonable price;

(viii) other rights as provided by laws, administrative regulations, departmental rules, or the Articles of Association.

The shareholders shall be entitled to request the People's Court to cancel the relevant resolution within 60 days after the resolution is adopted if the convening procedure or voting method of the general meeting or Board meeting violates the laws, administrative regulations or the Articles of Association, or the resolution content breaches the Articles of Association. However, except that there are only minor defects in the convening procedures or voting method of a general meeting or a Board meeting, which do not materially affect the resolution.

Shareholders of the Company shall assume the following obligations:

(i) complying with the laws, administrative regulations and the Articles of Association;

(ii) paying the share subscription price based on the shares subscribed for by them and the method of acquiring such shares;

(iii) no return share capital except for the circumstances set out in the laws and regulations;

(iv) no abuse of shareholder's rights to damage the interests of the Company or other shareholders; no abuse of the independent legal person status of the Company and the limited liability of shareholders to damage the interests of the creditors of the Company;

(v) other obligations that should be assumed under laws, administrative regulations and the Articles of Association.

If any shareholder of the Company abuses the shareholder's rights and causes loss to the Company or other shareholders, he/she shall be liable for the compensation. If any shareholder of the Company abuses the independent legal person status of the Company and the limited liability of shareholders to evade debts and severely damage the interests of the creditors of the Company, he/she shall bear joint liability for the debts of the Company.

**(II) General Rules of General Meetings**

The general meeting is the source of authority of the Company and shall exercise the following functions and power in accordance to the laws:

(i) to elect and replace Directors and supervisors, and to decide on matters relating to their remunerations;

(ii) to consider and approve the reports of the Board;

(iii) to consider and approve the reports of the Supervisory Committee;

(iv) to consider and approve the profit distribution plan and loss recovery plan of the Company;

(v) to make a resolution on the increase or reduction of the Company's registered capital;

(vi) to make a resolution on the issuance of bonds of the Company, or to authorize the Board to make a resolution on the issuance of bonds of the Company;

(vii) to make a resolution on matters such as the merger, division, dissolution, liquidation, or change of company form of the Company;

(viii) to amend the Articles of Association;

(ix) to make a resolution on the appointment or dismissal of engagement of the accounting firm undertaking the Company's auditing business by the Company;

(x) to consider and approve the guarantee matters set out in Article 43 hereof;

(xi) to consider the purchase or disposal of material assets by the Company within one year exceeding 30% of the Company's latest audited total assets;

(xii) to consider and approve the change of use of proceeds;

(xiii) To consider equity incentive plans and Employee Stock Ownership Plan;

(xiv) to consider other matters that should be resolved on by the general meeting according to laws, administrative regulations, departmental rules or the Articles of Association.

The following external guarantees and related transactions made by the Company shall be considered and approved by the Board before being submitted to the general meeting for approval:

(i) any single guarantee whose amount exceeds 10% of the audited net assets for the latest period;

(ii) any guarantee provided after the total amount of the external guarantees provided by the Company and its controlled subsidiaries exceed 50% of the audited net assets for the latest period;

(iii) any guarantee provided after the total external guarantees of the Company exceed 30% of the total audited assets for the latest period;

(iv) the guarantee provided to the guaranteed object with a debt-to-asset ratio of more than 70%;

(v) a guarantee amount exceeding 30% of the total audited assets for the latest period of the Company within one year;

(vi) a guarantee amount exceeding 50% of the total audited assets for the latest period and the absolute amount exceeding RMB50 million of the Company within one year;

(vii) any guarantee provided to the shareholder, actual controller and its related party;

(viii) any related transaction between the Company and a related natural person involving an amount exceeding RMB3 million;

(ix) any related transaction between the Company and an related legal person, where the transaction amount involved exceeds RMB30 million and represents more than 5% of the absolute value of the Company's the audited net assets for the latest period;

(x) other guarantees and related transactions as stipulated in the Articles of Association.

When the Board considers the above guarantee matters, such matters must be considered and approved by more than two-thirds of the Directors attending the Board meeting. When the general meeting considers the guarantee matters under item (V) of the preceding paragraph, such matters must be approved by more than two-thirds of the voting rights held by the shareholders attending the meeting.

The general meetings shall be classified into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year, and shall be held within six months after the end of the previous accounting year.

In any of the following circumstances, the Company shall convene an extraordinary general meeting within two months from the date of the occurrence of the circumstance:

(i) when the number of Directors is less than the number specified in the Company Law or two-thirds of the number required by the Articles of Association;

(ii) the uncovered loss of the Company reaches one-third of the total share capital;

(iii) upon request(s) by shareholders individually or collectively holding more than 10% of the Company's shares;

(iv) when the Board considers it necessary;

(v) when the Supervisory Committee proposes such a meeting be held;

(vi) other circumstances specified by laws, administrative regulations, departmental rules or the Articles of Association.

**(III) Convening of General Meetings**

The independent Directors have the right to propose to the Board to convene an extraordinary general meeting with the approval of a majority of all independent Directors. For the proposal of independent Directors of convening an extraordinary general meeting, the Board shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide a written feedback on whether to agree or disagree with convening the meeting within ten days upon receipt of the proposal. When the Board agrees to convene an extraordinary general meeting, the Board shall, within five days after the Board resolution is made, issue a notice calling for the meeting. Otherwise, the reasons shall be stated.

The Supervisory Committee shall propose to the Board to convene an extraordinary general meeting, and shall make such proposal in writing. The Board shall, pursuant to the provisions of laws, administrative regulations and the Articles of Association, provide a written feedback on whether to agree or disagree with convening the meeting within ten days upon receipt of the proposal. If the Board agrees to convene an extraordinary general meeting, the Board shall, within five days after the Board resolution is made, issue a notice calling for the meeting. Changes to the original proposal in the notice shall be subject to the approval of the Supervisory Committee. If the Board does not agree to convene an extraordinary general meeting, or fails to provide a written feedback within ten days upon receipt of the proposal, the Board shall be considered to be unable or fail to perform the duty of convening a general meeting. The Supervisory Committee may convene and preside over the meeting on its own.

Shareholders who individually or collectively hold more than 10% of the Company's shares shall have the right to request the Board to convene an extraordinary general meeting which shall be submitted in writing to the Board. The Board shall, pursuant to the provisions of laws, administrative regulations and the Articles of Association, provide a written feedback on making a revolution on whether to convene extraordinary general meeting within ten days upon receipt of the request. If the Board agrees to convene the extraordinary general meeting, the Board shall serve a notice of such meeting within five days after the Board resolution is made. In the event of any change to the original proposal, the consent of relevant shareholder(s) shall be obtained. If the Board disagrees to convene an extraordinary general meeting or fails to give a reply within ten days upon receipt of the request, shareholders who individually or collectively hold more than 10% of the Company's shares shall have the right to propose to the Supervisory Committee to convene the extraordinary general meeting and shall submit their request in writing. The Supervisory Committee shall provide a written feedback on making a revolution on whether to convene extraordinary general meeting within ten days upon receipt of the request. If the Supervisory Committee agrees to convene an extraordinary general meeting, the Supervisory Committee shall, within five days upon receipt of the request, issue a notice calling for the meeting. Changes to the original proposal in the notice shall be subject to the approval of relevant shareholders. If the Supervisory Committee fails to give the notice of the general meeting within the specified time limit, it shall be deemed that the Supervisory Committee shall not convene and preside over the general meeting, in which case, the shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over the meeting by themselves.

When the Supervisory Committee or the shareholders decide to convene a general meeting by themselves, they shall notify the Board in writing. Before a general meeting resolution is made, the shareholding percentage of the convening shareholders shall be not less than 10%. The Board and the secretary of the Board shall align with the general meeting convened by the Supervisory Committee or the shareholders on their own. The Board shall provide the register of shareholders after the close of business on the record date.

**(IV) Proposals and Notices of General Meetings**

Where the Company convenes a general meeting, the Board, the Supervisory Committee, and the shareholders who individually or collectively hold more than 1% of the Company's shares shall have the right to make proposals to the Company.

The shareholders who individually or collectively hold more than 1% of the Company's shares may raise a temporary proposal and submit it to the Board in writing ten days before the general meeting is held. The Board shall, within 2 days after the receipt of the proposal, notify other shareholders and submit the temporary proposal to the general meeting for approval. However, unless the temporary proposal is in violation of the laws, administrative regulations or the Articles of Association or does not fall within the scope of the general meeting's terms of reference.

The convener will notify each shareholder of an annual general meeting in writing or by other ways of communication 20 days prior to the convening thereof, and notify each shareholder of an extraordinary general meeting in writing or by other ways of communication 15 days prior to the convening thereof. Regarding the calculation of the notice period, the date of the meeting shall not be included.

The notice of the general meeting shall include the following particulars:

(i) the date, place and duration of the meeting;

(ii) the matters and proposals to be considered at the meeting;

(iii) in clear statement that all shareholders are entitled to attend the general meeting and they may appoint a proxy in writing to attend and vote at such meeting on their behalf and that such proxies need not be shareholders of the Company;

(iv) the date of record for the shareholders who are entitled to attend the general meeting;

(v) the name and telephone number of the regular contact person for the meeting.

The notice and supplementary notice of general meeting shall fully and completely disclose the details of all proposals.

**(V) Convening of General Meetings**

All shareholders recorded in the register as at the record date or their proxies shall have the right to attend the general meeting and exercise the voting right in accordance with the relevant laws, regulations and the Articles of Association.

A shareholder may either attend the general meeting in person or appoint a proxy or proxies to attend and vote at such meeting on his/her behalf. An individual shareholder that attends the meeting in person shall produce his or her own ID card or other valid documents or proof evidencing his or her identity. If he or she appoints a proxy to attend the meeting on his or her behalf, the proxy shall produce his or her own valid proof of identity and the instrument of appointment from the shareholder. Shareholders who are legal persons shall attend a meeting by their legal representative or a proxy appointed by the legal representative. If the legal representative attends the meeting, he or she shall produce his or her own ID card and a valid proof of his or her legal representative status. If a proxy has been appointed to attend the meeting, such proxy shall present his or her own ID card and the power of attorney in writing issued by the legal representative of the corporate shareholder as a legal person in accordance with the laws.

The power of attorney issued by a shareholder to appoint a proxy to attend a general meeting shall clearly specify the matters, authority, and duration of the proxy's representation, including but not limited to contain the following information:

(i) the proxy name;

(ii) whether the proxy has the voting right;

(iii) instructions to vote in favor of, against or abstain from voting on each resolution contained in the agenda of general meeting respectively;

(iv) the date of issuance and effective period of the power of attorney;

(v) signature (or seal) of the appointer. If the appointer is a corporate shareholder, the power of attorney shall be stamped with the seal of the legal person entity.

Where the general meeting requires directors, supervisors or senior management personnel to attend the meeting, the directors, supervisors or senior management personnel shall attend and accept the shareholders' questions.

The general meeting shall be presided over by the chairperson of the Board. when the chairperson of the Board is unable or fails to perform his/her duty, a director jointly elected by a simple majority of the directors shall preside over the meeting. At a general meeting convened by the Supervisory Committee, the chairperson of Supervisory Committee shall preside over the meeting. When the chairperson of the Supervisory Committee is unable or fails to perform his/her duty, a supervisor jointly elected by more than half of the supervisors shall preside over the meeting. If a general meeting is convened by shareholders, the convener shall elect a representative to preside over the meeting. When a general meeting is held, if the chairperson of the meeting violates the rules of procedure, making continuance of the meeting impossible, with the consent of the shareholders holding more than half of the voting rights present at the meeting, the meeting may elect a person to serve as the chairperson of the meeting and the meeting shall continue.

**(VI) Voting and Resolutions at a General Meeting**

Resolutions at the general meeting shall be divided into ordinary resolutions and special resolutions. Ordinary resolutions of the general meeting shall be passed by over one-half of the voting rights represented by shareholders' (including proxies) present at the meeting. Special resolutions of the general meeting shall be passed by over two thirds (2/3) of the voting rights represented by shareholders (including proxies) present at the meeting.

The following matters shall be adopted by an ordinary resolution of the general meeting:

(i) work reports of the Board and the supervisory committee;

(ii) projects in relation to profit distribution and loss recovery prepared by the Board;

(iii) the appointment and removal of members of the Board and the supervisory committee and their remuneration and payment method thereof;

(iv) proposed annual preliminary financial budgets, final account proposals of the Company;

(v) the annual report of the Company;

(vi) matters other than those requiring the approval by way of special resolutions in accordance with the provisions of the laws, administrative regulations or the Articles of Association.

The following matters shall be adopted by a special resolution of the general meeting:

(i) increase or reduction in the registered capital of the Company

(ii) the division, merger, dissolution and liquidation of the Company;

(iii) amendments to these Articles of Association;

(iv) purchase or sale of material assets or guarantees by the Company in excess of thirty per cent of the Company's latest total audited assets within a period of twelve consecutive months;

(v) share incentive schemes;

(vi) other matters prescribed by the laws, administrative regulations or these Articles of Association, and those matters determined by a general meeting via ordinary resolution as having a material impact on the Company and are required to be adopted by a special resolution.

Shareholders (including proxies) shall exercise their voting rights in line with the amount of the shares with voting rights they represent, each share shall carry one vote. The Company's own shares held by the Company do not carry voting rights and such shares shall not count towards the total number of shares with voting rights at general meetings. The Board, independent directors and other shareholders who qualify with relevant specified conditions may solicit for the voting shares from shareholders.

When matters in relation to connected transactions are considered at a general meeting, shareholders with connected relationship shall not participate in the voting and the number of shares with voting rights represented by them shall not be counted towards the total number of valid votes; the resolutions of the general meetings shall adequately disclose the votes of non-connected shareholders.

## III. THE BOARD

### (I) General Provisions for Directors

The directors of the Company shall be natural persons. A person who falls into any of the following circumstances shall not serve as a director of the Company:

(i) a person without capacity for civil conduct or with restricted capacity for civil conduct;

(ii) a person who has been sentenced to criminal penalty for corruption, bribery, infringement of property, misappropriation of property or sabotaging the order of socialist market economy, where less than five years have elapsed since the deprivation lapsed, or who has been deprived of his political rights due to criminal offense, where less than five years have elapsed since the deprivation lapsed, or who has been sentenced to probation and a 2-year period has not elapsed since the date of expiration of the probation period;

(iii) a person who is a director or factory manager or manager of a company or enterprise which has entered into insolvent liquidation and is personally liable for the insolvency of such company or enterprise, where three years have not yet elapsed since the date of completion of the liquidation of the company or enterprise;

(iv) a person who is a former legal representative of a company or enterprise, the business license of which was revoked or such company or enterprise was ordered to shut down due to violation of law and such person is personally liable for such consequences, where less than three years have elapsed since the date of the revocation of business license or closure by order of such company or enterprise;

(v) a person who has a relatively large amount of debt which has become overdue and is listed by the People's Court as a dishonest person;

(vi) a person who is subject to a securities market entry prohibition measure imposed by the CSRC, and the period of the prohibition has not lapsed;

(vii) other circumstances stipulated by laws, administrative regulations or departmental rules.

Directors shall be elected or changed at the general meeting, and the general meeting may remove any director by a resolution, which shall come into effect from the date on which such resolution is made. A director may serve a term of three years for each session and may serve consecutive terms if re-elected upon the expiry of his term. The term of a director commences from the date on which he assumes office, until the current term of service of the Board ends. If a director's term of service expires but a new director is not yet appointed, the existing director shall continue to fulfill the duties as a director according to the laws, administrative regulations, departmental regulations and these Articles of Association until the newly elected director's appointment comes into effect. The senior management personnel may concurrently serve as a director, provided that the total number of directors who also hold the position of senior management personnel and directors who are employee representatives shall not exceed one-half of the total number of directors of the Company.

A director may resign before the expiration of his or her term of office. A resigning director shall submit written resignation report to the Board. The Board will disclose the relevant circumstances within two days. If, as a result of the resignation of a director, the number of directors on the Board of the Company is lower than the minimum number prescribed by the law, the original director shall continue to perform the duties as a director in accordance with laws, administrative regulations, departmental regulations and these Articles of Association until the newly elected director assumes office. Except in the circumstances set out in the preceding paragraph, the resignation of a director shall take effect when the resignation report is served on the Board.

**(II) Board**

The Company shall have a Board, which shall be accountable to the general meeting. The Board shall consist of 9 directors, with 3 independent directors and 1 employee director.

The Board shall exercise the following functions and powers:

(i) to summon general meetings and report its works to the general meeting;

(ii) to implement resolutions of the general meeting;

(iii) to decide on the Company's business plan and investment project;

(iv) to formulate the Company's projects for profit distribution and loss recovery;

(v) to formulate projects for the increase or reduction of the registered capital of the Company, the issue of bonds of the Company;

(vi) to formulate projects for mergers, division, dissolutions and changes in corporate form of the Company;

(vii) to decide, within the authorisation of the general meeting, on matters such as the issuance of corporate bonds, external investments, acquisition and sale of assets, pledging of assets, external guarantee matters, entrusted wealth management and related party transactions.

(viii) to decide on the establishment of the internal management structure of the Company;

(ix) to decide on the appointment or dismissal of the general manager of the Company and their remuneration; to decide on the appointment or dismissal of senior management personnel such as the deputy general manager, the financial controller and their remuneration upon nomination by the general manager;

(x) to formulate the basic management system of the Company;

(xi) to formulate the project of amendments to these Articles of Association;

(xii) to manage corporate information disclosure matters;

(xiii) to submit to the general meeting a request for the engagement or replacement of the accounting firm auditing for the Company;

(xiv) to receive reports on the work of the Company's general manager and checking the work of the general manager;

(xv) to decide on the recommendation, appointment, or replacement of directors, supervisors, and senior management personnel for the Company's holding subsidiaries, joint-stock companies, joint ventures, or associated enterprises.

(xvi) such other powers granted by laws, administrative regulations, departmental rules and regulations or these Articles of Association.

The Board is vested with the following decision-making authorities:

(i) the power of authority to make significant investment and transaction decisions, such as external investments with the assets of the Company, equity transfers, asset sales and purchases, and asset swaps, shall be exercised in accordance with the Company's Major Investment and Transaction Decision-Making System;

(ii) pursuant to the Company's operational circumstances, the Board has the autonomy to decide on borrowing from financial institutions such as banks and the corresponding property guarantees. The authority is limited to: a single loan amount not exceeding 30% of the Company's most recently audited net assets, and the total amount of loans incurred within the year not exceeding the relevant loan quota approved in the annual financial budget by the general meeting.

(iii) to decide on guarantee matters other than those stipulated in Article 43 of these Articles of Association;

(iv) to decide on transactions with related parties that reach the following criteria;

1. related-party transactions between the Company and an associated natural person with a transaction amount exceeding RMB300,000 but not exceeding RMB3 million.

2. related-party transactions between the Company and an associated legal entity with a transaction amount exceeding RMB3 million but not exceeding RMB30 million, and accounting for more than 0.5% but not exceeding 5% of the absolute value of the Company's latest audited net assets.

(v) other investment and decision-making authorities granted by the general meeting.

The Board shall have one chairperson. The chairperson of the Board shall be elected by more than half of all directors.

The chairperson of the Board shall exercise the following duties and powers:

(i) to preside over general meetings and to summon and preside over meetings of the Board;

(ii) to supervise and inspect the implementation of resolutions of Board;

(iii) to sign the share certificates, corporate bonds and other marketable securities issued by the Company;

(iv) to sign on important documents of the Board and other documents which should be signed by the Company's legal representative;

(v) to exercise the powers and duties of the legal representative;

(vi) in the event of emergency of force majeure such as catastrophic natural disaster, to enforce special discretion on the affairs of the Company in accordance with provisions of laws and the interests of the Company and to report to the Board or the general meeting of the Company afterwards;

(vii) to promptly consult and communicate with the company's shareholders, directors, and president regarding issues arising in the course of the Company's production and operation.

(viii) to attend the general manager's office meetings when necessary

(ix) to inquire about the situation and propose relevant topics to the working bodies such as committees under the Board of the Company;

(x) other powers and duties granted by the Board.

Meetings of the Board are divided into regular meetings and extraordinary meetings.

Meetings of the Board shall be held at least twice a year.

The chairman shall convene and preside extraordinary general meetings of the Board within 10 days after receiving the proposal in any of the following circumstances:

(i) when the chairman considers necessary;

(ii) when jointly proposed by more than one-third of the directors;

(iii) when proposed by shareholders representing more than one-tenth of the voting rights;

(iv) when proposed by the Supervisory Committee;

(v) when proposed by the general manager;

(vi) other circumstances stipulated by the Articles of Association.

In convening the regular and extraordinary meetings of the Board, the office of the Board shall give a written notice of the meeting 10 days and 2 days before the meeting date to all directors, supervisors and general manager. If a notice is not given by hand, a subsequent telephone call shall be made for confirmation and corresponding records shall be made. In case of urgency and an extraordinary meeting of the Board is required to be convened as soon as possible, the notice of such meeting shall be given by telephone communication or other verbal means at any time provided that the convener of the meeting shall give relevant explanation at the meeting.

Meetings of the Board shall be held only if more than half of the directors are present. Any resolutions of the Board must be subject to adoption by a simple majority of all directors. Each director shall have one vote for the resolutions of the Board. External guarantee that should be approved by the Board must be reviewed and decided by more than two-thirds of the directors present at the meeting of the Board.

If directors have associated relationship with enterprises involved in issues to be determined in the extraordinary general meeting of the Board, such directors shall not exercise the voting power on the resolution or exercise the voting power on behalf of other directors. The meeting of the Board may be held with over one-half directors without associated relationship. If the unassociated directors attending the meeting of the Board are less than 3 people, the issues shall be submitted to the general meetings for examination.

**(III) Special Committees of the Board**

In accordance with the relevant resolutions of the general meeting, the Company's Board shall establish special committees such as the audit committee, the remuneration and appraisal committee and the nomination committee, among which, a majority of the members of the audit committee, the nomination committee and the remuneration and appraisal committee shall be independent directors, the audit committee shall include at least one independent director shall be an accounting professional.

**(IV) Senior Management Personnel**

The Company shall have a general manager, who shall be appointed or dismissed by the Board. The Company shall have a deputy general manager, secretary of the Board, chief financial officer and other senior management personnel who shall be appointed or dismissed by the Board. The general manager shall serve a term of three years and may serve consecutive terms upon reappointment.

## IV. SUPERVISORY COMMITTEE

**(I) Supervisors**

Directors and senior management personnel shall not concurrently serve as a supervisor. The term of office of the supervisors shall be 3 years for each session. Supervisors are eligible for re-election upon expiry of their term of office.

**(II) Supervisory Committee**

The Company shall have a supervisory committee. The supervisory committee shall consist of 3 supervisors and shall have 1 chairperson. The supervisory committee shall include shareholder representatives and an appropriate proportion of company employee representatives, of which the proportion of employee representatives shall not be less than one-third.

The supervisory committee shall exercise the following functions and powers

(i) to review and give written opinions on the periodic reports of the Company prepared by the Board;

(ii) to examine the Company's financial matters;

(iii) to supervise the performance by the directors and senior management personnels of their duties to the Company and propose the dismissal of the directors and senior management personnels who violates laws, administrative regulations, the Articles of Association or the resolutions of the general meeting;

(iv) to demand rectification from the directors and senior management personnels when the acts of such persons are harmful to the Company's interests;

(v) to propose the convening of extraordinary general meetings; to convene and preside the general meeting in the event that the Board fails to perform its duties to convene and preside the general meeting in accordance with the Company Law;

(vi) to submit proposals to the general meeting;

(vii) to file lawsuits against the directors and senior management personnels in accordance with Article 189 of the Company Law;

(viii) in case of any abnormal matters during the business operation of the Company, to investigate, and if necessary, to engage professionals such as accounting firms or law firms to assist its work with expenses being borne by the Company;

(ix) to require directors and senior management personnels to submit reports on the performance of their duties.

Meetings of the board of supervisors consist of regular meetings and extraordinary meetings. Regular meetings of the board of supervisors shall be held at least once every six months. An extraordinary meeting shall be convened by the chairman of the board of supervisors within ten days from the date of occurrence of any of the following circumstances:

(i) when proposed by any supervisor;

(ii) when the general meeting or the meeting of the Board passed a resolution that violates the provisions and requirements of laws, rules and regulations, the Articles of Association, the resolutions of general meeting and other relevant provisions;

(iii) where the misconduct of director and senior management personnel is likely to cause material damage to the Company or to cause an adverse effect in the marketplace;

(iv) when the Company, its directors, supervisors and senior management personnel are sued by shareholders.

(v) when the Company, its directors, supervisors and senior management personnel are punished by the securities regulatory authority or publicly condemned by the stock exchange;

(vi) other circumstances specified in the Articles of Association.

## V. FINANCIAL AND ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT

### (I) Financial and Accounting System

The Company shall prepare the annual financial and accounting reports within 4 months after the end of each financial year; prepare the interim financial and accounting reports within 2 months after the end of the first 6 months of each financial year; and prepare the quarterly financial and accounting reports within 1 month after the end of the first 3 months and the first 9 months of each financial year.

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory reserve fund. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocation is required.

After the resolution on the profit distribution is approved at the general meeting of the Company, the Board of the Company shall complete the distribution within six months after the approval of the resolution of the general meeting.

**(II) Internal Audit**

The Company shall implement an internal audit system, where dedicated auditors carry out the internal audit and supervision over the revenue and expenditure and the economic activities of the Company. The internal audit system of the Company and the duties of the auditing staff shall be subject to the approval of the Board. The officer in charge of audit shall be accountable to the Board and report his/her work to the same.

**(III) Engagement of an Accounting Firm**

The Company shall engage accounting firms "qualified for securities related business" to audit its accounting statements, verify its net assets, and provide other relevant consulting services. The term of appointment shall be 1 year and the term of office may be renewed. The Company's appointment of an accounting firm shall be decided by the general meeting. The Board shall not appoint any accounting firm prior to a decision made by the general meeting.

## VI. NOTICE

Notices of the Company may be served as follows:

(i) by personal delivery;

(ii) by post;

(iii) by announcement;

(iv) by email;

(v) by other means specified in the Articles of Association.

Where a notice of the Company is served by announcement, the notice shall be deemed as received by the relevant persons once the notice is announced.

Any notice convening the general meeting of the Company shall be delivered by hand, fax, mail, email, announcement, telephone or other verbal means. Any notice convening a Board meeting of the Company shall be delivered by hand, fax, mail, email, announcement, telephone or other verbal means. Any notice convening a meeting of the board of supervisors of the Company shall be delivered by hand, fax, mail, email, announcement, telephone or other verbal means.

If the notice of the Company is delivered by hand, the addressee shall sign (or stamp) on the receipt of service, and the date of signature of the addressee shall be the date of service; if the notice of the Company is sent by mail, the date of service shall be 5th working day after the date of delivery to the post office; if the notice of the Company is sent by email, the date of service shall be the date the email reaches the designated electronic mailbox of the addressee. Where a notice of the Company is sent by way of an announcement, the date of publication of the first announcement shall be the date of service.

## VII. MERGER, DIVISION, CAPITAL INCREASE AND REDUCTION, DISSOLUTION, AND LIQUIDATION

### (I) Merger, Division, and Capital Increase and Reduction

A merger of the Company may take the form of merger by absorption or merger by new establishment. A company absorbing other companies is a merger by adsorption, and the absorbed company is dissolved. The merger of two or more companies to create a new company is a merger by new establishment, and the merging parties are dissolved. In the case of a merger, parties related to the merger shall execute a merger agreement, and shall prepare the balance sheets and a list of assets. The Company shall notify its creditors within ten days since the date on which the resolution to proceed with the merger is adopted, and publish an announcement within 30 days in the newspapers and on the websites designated by the Company for information disclosure, or on the National Enterprise Credit Information Publicity System. Creditors shall, within 30 days since the date of receiving the notice, or creditors who do not receive the notice shall, within 45 days since the date of the public announcement, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee.

If the Company is to be divided, its property shall be divided accordingly. In the case of a division, the balance sheets and a list of assets shall be prepared. The Company shall notify its creditors within ten days since the date on which the resolution to proceed with the division is adopted, and publish an announcement within 30 days in the newspapers and on the websites designated by the Company for information disclosure, or on the National Enterprise Credit Information Publicity System. Debts owed by the Company prior to the division shall be assumed by the companies in existence after the division jointly and severally, except as otherwise stated in the written agreement entered into between creditors and the Company for debt service prior to the division.

In case of a reduction in the Company's registered capital, the Company shall prepare a balance sheet and a list of assets. The Company shall notify its creditors within ten days since the date on which the resolution to proceed with the reduction in the registered capital is adopted, and publish an announcement within 30 days in the newspapers and on the websites designated by the Company for information disclosure, or on the National Enterprise Credit Information Publicity System. Creditors shall, within 30 days since the date of receiving the notice, or creditors who do not receive the notice shall, within 45 days since the date of the announcement, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee.

**(II) Dissolution and Liquidation**

The Company shall be dissolved in any of the following circumstances:

(i) the business term stipulated in the Articles of Association has expired or other circumstances for dissolution specified in the Articles of Association arise;

(ii) the general meeting has resolved to dissolve the Company by way of resolution;

(iii) the merger or division of the Company requires a dissolution;

(iv) the business license is revoked or the Company is ordered to close down or is cancelled in accordance with the law;

(v) if the Company gets into serious trouble in operations and management and continuation may incur material losses of the interests of the Shareholders, and no solution can be found through any other means, the Shareholders holding 10% or more of the total voting rights of the Company may request the People's Court to dissolve the Company.

When causes for the dissolution as stipulated in the preceding paragraph occur, it shall disclose the reasons for dissolution through the National Enterprise Credit Information Publicity System within ten days.

Where the Company is in the situation described in items (i) and (ii) of Article 191 and has not distributed any property to shareholders, it may continue to exist by amending the Articles of Association or a resolution passed by the general meeting. The amendments to the Articles of Association in accordance with the provisions in the preceding article shall require the approval of at least two-thirds of the voting rights held by Shareholders attending the general meeting.

Where the Company is dissolved as a result of aforesaid requirements, it shall be liquidated. If the Directors are the liquidation obligors of the Company, they shall establish a liquidation committee within fifteen days after the causes for the dissolution arise and carry out liquidation. The liquidation committee shall comprise consist of directors or persons determined by the general meeting. If the Company fails to set up the liquidation committee to liquidate within the aforesaid period or fails to liquidate after establishing a liquidation committee, the interested parties may apply to the People's Court for appointment of relevant persons to form a liquidation committee so as to proceed with liquidation.

The liquidation committee shall notify all creditors within 10 days after its establishment and shall publish an announcement within 60 days in the newspapers and on the websites designated by the Company for information disclosure, or on the National Enterprise Credit Information Publicity System. The creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the notice or within 45 days from the date of the announcement if they have not received the notice. A creditor declaring a claim shall state the matters to which the claim relates and provide supporting documents. The liquidation committee shall register the claim. During the period of declaration of claims, the liquidation group shall not make any settlement to the creditors.

The liquidation committee shall formulate a liquidation plan after dealing with the Company's assets and compiling a balance sheet and a list of assets, and report it to a general meeting or the People's Court for confirmation. The remaining assets of the Company after paying the liquidation expenses, employees' wages, social insurance costs and statutory compensation, paying the outstanding taxes and settling the Company's debts respectively, shall be distributed to the shareholders of the Company in proportion to their shareholding. During the liquidation period, the Company shall exist, but cannot engage in operating activities that are not related to the liquidation. The assets of the Company shall not be distributed to the shareholders until it has been liquidated in accordance with the preceding paragraph.

If the liquidation committee, after examining the assets of the Company and preparing the balance sheet and a list of assets, finds that the assets of the Company is insufficient to satisfy its debts, it shall, in accordance with the law, apply to the People's Court for bankruptcy liquidation. Following a ruling by the People's Court that the Company is declared bankrupt, the liquidation committee shall hand over all matters relating to the liquidation to the bankruptcy administrator appointed by the People's Court.

Following the completion of the liquidation of the Company, the liquidation committee shall make a liquidation report, report to the general meeting or the People's Court for confirmation, and submit it to the company registration authority, apply for cancellation of the company registration.

## VIII. AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association in any of the following cases:

(i) after the PRC Company Law or relevant laws, administrative regulations have been amended, the matters provided for in the Articles of Association are conflict with the provisions of the amended laws, administrative regulations;

(ii) the circumstances of the Company have changed and are inconsistent with the matters recorded in the Articles of Association;

(iii) the general meeting decides to amend the Articles of Association.

Where the matters of amendment of the Articles of Association adopted by resolution of the general meeting need the examination and approval of the competent authorities, these matters shall be submitted to the competent authorities for approval; if they involve matters of the Company's registration, the registration of the changes shall be made in accordance with the law.

## A. FURTHER INFORMATION ABOUT OUR GROUP

### 1. Incorporation

Our Company was established under the laws of the PRC as a limited liability company on September 4, 2009 with an initial registered capital of RMB10,000,000. On April 21, 2016, our Company was converted to a joint stock company with limited liability under the PRC Company Law. The registered address and headquarter of our Company in the PRC is at Economic Development Zone, Fanchang County, Wuhu City, Anhui Province, the PRC. A summary of our Articles is set out in "Appendix V — Summary of Articles of Association".

We have established a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong, and was registered with the Companies Registry in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 12, 2025. Ms. Au Wai Ching, being our joint company secretary has been appointed as the authorized representative of our Company for the acceptance of service of process and notice in Hong Kong. Our address for acceptance of service of process is 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

As our Company was incorporated in the PRC, our operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendix IV and V, respectively.

### 2. Changes in Share Capital of our Company

Our Company was incorporated on September 4, 2009 with registered capital of RMB10,000,000 under the laws of the PRC as a limited liability company. Save as disclosed in "History, Development and Corporate Structure", there has been no alteration in our total issued share capital within the two years immediately preceding the date of this document.

### 3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in "History, Development and Corporate Structure — Our Principal Operating Subsidiaries" and Note 1 to the Accountants' Report as set out in Appendix I to this document.

Save for the reduction of registered capital from RMB100 million to RMB20 million for Anhui Green Plum in November 2023, there has been no alteration in the total issued share capital of our subsidiaries within the two years immediately preceding the date of this document.

### 4. Resolutions of our Shareholders in relation to the [REDACTED]

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on March 27, 2025, it was resolved, among others:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares to be [REDACTED] on the Stock Exchange;

(b) the number of H Shares to be issued pursuant to the [REDACTED], and the grant to the [REDACTED] of the [REDACTED] of not more than [REDACTED] of the number of H Shares issued pursuant to the [REDACTED];

(c) the [REDACTED] from the [REDACTED] shall be applied for the purposes as disclosed in "Future Plans and Use of [REDACTED]";

(d) subject to the CSRC's approval, upon completion of the [REDACTED], [REDACTED] Domestic Unlisted Shares in aggregate of our Company will be converted into H Shares;

(e) subject to the completion of the [REDACTED], the conditional adoption of the Articles of Association which shall become effective upon the [REDACTED]; and

(f) authorization of our Board and its authorized persons to handle all matters relating to, among other things, the [REDACTED] and the [REDACTED].

### 5. Restrictions on Repurchase

See "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of Articles of Association" for details.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us within the two years preceding the date of this document and are or may be material:

(a) the share repurchase agreement dated June 25, 2024 entered into between our Company and Beijing Sequoia;

(b) the capital increase agreement and the capital increase supplemental agreement dated December 8, 2024 entered into between our Company, Huaan Fund, Xingnong Fund, Jurun Investment, Kaixuan Star, Kailai Star, Shenzhen Junrong, Nuoxiang Jinhong and Nuoxiang Dongchen; and

(c) the [REDACTED].

## 2. Intellectual Property Rights of Our Group

### (a) Patents

As of the Latest Practicable Date, our Group has registered the following patents which, in the opinion of the Directors, are material to our business:

| No. | Patent | Patentee | Patent number | Application date<br>*(yyyy/mm/dd)* | Expiry date<br>*(yyyy/mm/dd)* |
|---|---|---|---|---|---|
| 1. | A Manual Punching Device for Fruit Pickling (一種水果醃製用手動打孔裝置) | Liuliu Research Institute | ZL201720250645.X | 2017/03/15 | 2027/03/14 |
| 2. | An Air-Blowing Packaging Device for Snacks (一種零食用吹空包裝置) | Liuliu Research Institute | ZL201720249799.7 | 2017/03/15 | 2027/03/14 |
| 3. | A Stirring Barrel for Candied Fruit Pickling (一種蜜餞醃製用攪拌桶) | Liuliu Research Institute | ZL201720249753.5 | 2017/03/15 | 2027/03/14 |
| 4. | An Anti-Rollover Gantry for Candied Fruit Transportation (一種蜜餞運輸用防翻滾龍門架) | Liuliu Research Institute | ZL201720249771.3 | 2017/03/15 | 2027/03/14 |
| 5. | A Punching Machine for Fruit Pickling (一種水果醃製用打孔機) | Liuliu Research Institute | ZL201720250644.5 | 2017/03/15 | 2027/03/14 |
| 6. | An Adjustable Steering Device for Candied Fruit Transportation (一種蜜餞運輸用可調轉向裝置) | Liuliu Research Institute | ZL201720250661.9 | 2017/03/15 | 2027/03/14 |
| 7. | An Automatic Material Distribution Device for Candied Fruit (一種蜜餞用自動分料裝置) | Liuliu Research Institute | ZL201720249755.4 | 2017/03/15 | 2027/03/14 |
| 8. | A Punching Machine for Candied Fruit Pickling (一種蜜餞醃製用打孔機) | Liuliu Research Institute | ZL201720249800.6 | 2017/03/15 | 2027/03/14 |
| 9. | An Automatic Cleaning Equipment for Green Plums (一種青梅自動清洗設備) | Our Company | ZL201711416501.8 | 2017/12/22 | 2037/12/21 |
| 10. | A Fruit Sorting and Conveying Device (一種果品篩選輸送裝置) | Our Company | ZL201711408986.6 | 2017/12/22 | 2037/12/21 |

| No. | Patent | Patentee | Patent number | Application date (yyyy/mm/dd) | Expiry date (yyyy/mm/dd) |
|---|---|---|---|---|---|
| 11. | A Barrel Tipping Machine for Automatic Unloading of Sugar-Soaking Barrels (一種用於糖漬桶自動倒料的翻桶機) | Guangxi Liuliu | ZL201822171588.3 | 2018/12/24 | 2028/12/23 |
| 12. | A Forming Mechanism for Sealing Plastic Packaging Bag (一種用於塑料包裝袋封口的成型機構) | Our Company | ZL201920167562.3 | 2019/01/18 | 2029/01/17 |
| 13. | A Lower Roll Film Tray Bracket (一種下卷膜托盤支架) | Our Company | ZL201920167578.4 | 2019/01/18 | 2029/01/17 |
| 14. | A Discharge Hopper with Diverting and Blocking Rods (一種具有分流擋料桿的下料斗) | Our Company | ZL201920086419.1 | 2019/01/18 | 2029/01/17 |
| 15. | A Receiving Box for the Automatic Packaging Machine (一種自動包裝機接料盒) | Guangxi Liuliu | ZL201920090348.2 | 2019/01/21 | 2029/01/20 |
| 16. | An Elevated Roller Transport Device (一種高空輥筒運輸裝置) | Our Company | ZL201920090457.4 | 2019/01/21 | 2029/01/20 |
| 17. | A Defective Product Removal Device for Food Packaging (一種用於食品包裝的不良品去除裝置) | Our Company | ZL201920139789.7 | 2019/01/28 | 2029/01/27 |
| 18. | A Grid Filtration Device for the Sugar-Draining Machine (一種瀝糖機格柵過濾裝置) | Our Company | ZL201920139974.6 | 2019/01/28 | 2029/01/27 |
| 19. | A Continuous Cooking Machine (一種連續煮製機) | Our Company | ZL201920139784.4 | 2019/01/28 | 2029/01/27 |
| 20. | A Selection and Conveying Line for Fruit Product Processing (一種水果製品加工挑選輸送線) | Guangxi Liuliu | ZL201920139782.5 | 2019/01/28 | 2029/01/27 |
| 21. | A Quantitative Seasoning Device for Candied Fruit Processing (一種用於蜜餞加工的定量調味裝置) | Liuliu Research Institute | ZL201921003183.7 | 2019/07/01 | 2029/06/30 |

| No. | Patent | Patentee | Patent number | Application date (yyyy/mm/dd) | Expiry date (yyyy/mm/dd) |
|---|---|---|---|---|---|
| 22. | A Sorting and Classification System for Candied Fruit Processing (一種用於蜜餞加工的挑選分類系統) | Liuliu Research Institute | ZL201921011145.6 | 2019/07/02 | 2029/07/01 |
| 23. | A Defective Product Removal Device for Candied Fruit (一種蜜餞的不良品剔除裝置) | Liuliu Research Institute | ZL201921033425.7 | 2019/07/04 | 2029/07/03 |
| 24. | A Method and System for the Extraction and Recovery of Amygdalin from Green Plums (一種用於青梅中苦杏仁苷析出與回收的方法以及系統) | Our Company | ZL202010485550.2 | 2020/06/01 | 2040/05/31 |
| 25. | A Method for Extracting Aromatic and Aliphatic Organic Acids from Green Plums (一種青梅中芳香族和脂肪族有機酸的提取方法) | Our Company | ZL202011212395.3 | 2020/11/03 | 2040/11/02 |
| 26. | A Method for Preparing Green Plum Essence with Rich Mumefural and High-Purity Green Plum Mumefural (一種富含梅素的青梅精及高純度青梅梅素的製備方法) | Our Company | ZL202011242366.1 | 2020/11/09 | 2040/11/08 |
| 27. | A Plum Vibration Grading Machine (一種梅坯振動分級機) | Our Company, Zhaoan Liuliu | ZL202121440689.1 | 2021/06/28 | 2031/06/27 |
| 28. | An Elevator with Filtration Function (一種帶有過濾功能的提升機) | Our Company, Zhaoan Liuliu | ZL202121680478.5 | 2021/07/23 | 2031/07/22 |
| 29. | A Processing Method for Increasing the Mumefural Content in Smoked Plums (一種提高烏梅中梅素含量的加工方法) | Our Company | ZL202211248372.7 | 2022/10/12 | 2042/10/11 |

| No. | Patent | Patentee | Patent number | Application date (yyyy/mm/dd) | Expiry date (yyyy/mm/dd) |
|---|---|---|---|---|---|
| 30. | An Anti-Blockage Drainage Filtration Mechanism (一種防堵型排水過濾機構) | Our Company, Liuliu Research Institute, Plum Jelly Tech | ZL202223376733.4 | 2022/12/14 | 2032/12/13 |
| 31. | A Raw Liquid Extraction Device Used in Food Processing (一種食品加工中使用的原液抽取裝置) | Our Company, Liuliu Research Institute, Plum Jelly Tech, Zhaoan Liuliu | ZL202322376855.1 | 2023/08/31 | 2033/08/30 |
| 32. | A Detachable Automatic Fruit Sorting and Receiving Device (一種拆卸式果實自動篩選接料裝置) | Our Company, Liuliu Research Institute, Plum Jelly Tech, Zhaoan Liuliu | ZL202322948237.X | 2023/11/01 | 2033/10/31 |
| 33. | An Automatic Packaging Sorting Device with an Automatic Discharge Structure (一種帶有自動下料結構的包裝自動分揀裝置) | Our Company, Liuliu Research Institute, Plum Jelly Tech, Zhaoan Liuliu | ZL202323035984.0 | 2023/11/10 | 2033/11/09 |
| 34. | A Rapid Food Packaging Detection Device with Adjustable Feeding Positions (一種可調整進料位置的食品包裝快速檢測裝置) | Our Company, Liuliu Research Institute, Plum Jelly Tech, Zhaoan Liuliu | ZL202323053595.0 | 2023/11/13 | 2033/11/12 |
| 35. | A Quick-Freezing Bayberry Sorting Machine (一種速凍楊梅篩選機) | Our Company, Plum Jelly Tech, Zhaoan Liuliu | ZL202323135758.X | 2023/11/21 | 2033/11/20 |
| 36. | An Intermittent Multi-Stage Processing Machine for Controlling Feeding Speed with Pitting and Peeling Functions (一種便於控制下料速度的間歇式多級加工去核去皮機) | Our Company, Liuliu Research Institute, Plum Jelly Tech, Zhaoan Liuliu | ZL202323459227.6 | 2023/12/19 | 2033/12/18 |

| No. | Patent | Patentee | Patent number | Application date *(yyyy/mm/dd)* | Expiry date *(yyyy/mm/dd)* |
|---|---|---|---|---|---|
| 37. | An Automatic Feeding Fruit Punching Device with Debris Collection Function (一種便於收集碎屑的自動上料果實打孔裝置) | Our Company, Liuliu Research Institute, Plum Jelly Tech, Zhaoan Liuliu | ZL202323548027.8 | 2023/12/26 | 2033/12/25 |
| 38. | A Multi-Functional Rapid Food Safety Detection and Analysis Device with an Anti-Shaking Structure (一種具有防晃動結構的多功能食品安全快速檢測分析裝置) | Our Company, Liuliu Research Institute, Plum Jelly Tech, Zhaoan Liuliu | ZL202420002088.X | 2024/01/02 | 2034/01/01 |
| 39. | A New Type of Microbial Fermentation Device with Inner Wall Cleaning Function (一種具有內壁清理功能的新型微生物發酵裝置) | Our Company, Liuliu Research Institute, Plum Jelly Tech, Zhaoan Liuliu | ZL202420038054.6 | 2024/01/08 | 2034/01/07 |
| 40. | A Pesticide Residue Detection Device for Food Ingredients (一種食品原料農藥殘留檢測裝置) | Our Company, Liuliu Research Institute, Plum Jelly Tech, Zhaoan Liuliu | ZL202420085961.6 | 2024/01/15 | 2034/01/14 |
| 41. | An Automatic Lid Opening and Closing and Vacuum-Packing Device for Food Packaging (一種可自動開合蓋的食品包裝抽真空裝置) | Our Company, Liuliu Research Institute, Plum Jelly Tech, Zhaoan Liuliu | ZL202420293553.X | 2024/02/18 | 2034/02/17 |
| 42. | A Metal Component Detection Mechanism for Food (一種食品金屬成分檢測機構) | Our Company, Liuliu Research Institute, Plum Jelly Tech, Zhaoan Liuliu | ZL202420347399.X | 2024/02/26 | 2034/02/25 |

### (b) *Trademarks*

As of the Latest Practicable Date, our Group has registered the following trademarks which, in the opinion of the Directors, are material to our business:

| No. | Trademark | Class | Place of registration | Registration number | Registered owner | Validity period *(yyyy/mm/dd)* |
|---|---|---|---|---|---|---|
| 1. | A 溜溜梅 B 溜溜梅 | 29, 30, 31, 32, 33, 35 | Hong Kong | 306734593 | Our Company | 2024/11/22–2034/11/21 |
| 2. | LIUM 溜溜梅 | 29 | Hong Kong | 301762623 | Our Company | 2010/11/12–2030/11/11 |
| 3. | 溜溜果园 | 29 | Hong Kong | 302068515 | Our Company | 2011/10/26–2031/10/25 |
| 4. | 有你好果子吃 | 29 | Hong Kong | 304139497 | Anhui Liuliu | 2017/05/15–2027/05/14 |
| 5. | 没事喵 | 29 | Hong Kong | 304139505 | Our Company | 2017/05/15–2027/05/14 |
| 6. | | 29 | Hong Kong | 304139514 | Our Company | 2017/05/15–2027/05/14 |
| 7. | 溜溜 LIUM | 29 | PRC | 67043465 | Our Company | 2023/05/07–2033/05/06 |
| 8. | 梅香天下 | 29 | PRC | 16452885 | Our Company | 2016/05/28–2026/05/27 |
| 9. | 泡梅 | 29 | PRC | 16926905 | Our Company | 2016/08/14–2026/08/13 |
| 10. | 溜6晨跑 MORNING RUN 6 | 41 | PRC | 17408646 | Our Company | 2016/09/07–2026/09/06 |
| 11. | 梅开五福 | 29 | PRC | 18520932 | Our Company | 2017/01/14–2027/01/13 |
| 12. | 青梅小镇 | 29 | PRC | 19381474 | Our Company | 2017/04/28–2027/04/27 |
| 13. | 青竹纤梅 | 29 | PRC | 11963776 | Our Company | 2017/05/21–2027/05/20 |
| 14. | 溜溜梅 | 29 | PRC | 22225732 | Our Company | 2018/01/28–2028/01/27 |
| 15. | 梅哒哒 | 29 | PRC | 22327652 | Our Company | 2018/01/28–2028/01/27 |

| No. | Trademark | Class | Place of registration | Registration number | Registered owner | Validity period *(yyyy/mm/dd)* |
|---|---|---|---|---|---|---|
| 16. | | 29 | PRC | 22328036 | Our Company | 2018/01/28–2028/01/27 |
| 17. | 醉杨 | 29 | PRC | 23124023 | Our Company | 2018/03/07–2028/03/06 |
| 18. | | 29 | PRC | 25731212 | Our Company | 2018/07/28–2028/07/27 |
| 19. | | 33 | PRC | 26101800 | Our Company | 2018/09/21–2028/09/20 |
| 20. | | 29 | PRC | 26085345 | Our Company | 2018/11/21–2028/11/20 |
| 21. | 梅日一罐 | 29 | PRC | 28915068 | Our Company | 2018/12/21–2028/12/20 |
| 22. | | 29 | PRC | 30066794 | Our Company | 2019/01/28–2029/01/27 |
| 23. | | 29 | PRC | 30723552 | Our Company | 2019/02/21–2029/02/20 |
| 24. | 不烦梅 | 29 | PRC | 30248044 | Our Company | 2019/03/07–2029/03/06 |
| 25. | | 29 | PRC | 32429665 | Our Company | 2019/04/14–2029/04/13 |
| 26. | 溜溜大顺 | 29 | PRC | 32838643 | Our Company | 2019/05/07–2029/05/06 |
| 27. | 法兰蜜西 | 29 | PRC | 26443551 | Our Company | 2019/07/28–2029/07/27 |
| 28. | 小辣梅 | 29 | PRC | 36076886 | Our Company | 2019/09/07–2029/09/06 |
| 29. | | 29 | PRC | 35756650 | Our Company | 2019/09/14–2029/09/13 |
| 30. | 皇梅 | 29 | PRC | 34316575 | Our Company | 2019/10/07–2029/10/06 |
| 31. | 韩话梅 | 29 | PRC | 35915800 | Our Company | 2020/05/21–2030/05/20 |
| 32. | 梅茶 | 32 | PRC | 35129167 | Our Company | 2020/07/14–2030/07/13 |

| No. | Trademark | Class | Place of registration | Registration number | Registered owner | Validity period *(yyyy/mm/dd)* |
|---|---|---|---|---|---|---|
| 33. | 梅和菓子 | 29 | PRC | 36831290 | Our Company | 2020/07/21–2030/07/20 |
| 34. | 井梅 | 29 | PRC | 48602754 | Our Company | 2021/06/28–2031/06/27 |
| 35. | 红梅报春桶 | 29 | PRC | 51896671 | Our Company | 2021/07/28–2031/07/27 |
| 36. | 咔哩梅 | 29 | PRC | 55660351 | Our Company | 2021/11/21–2031/11/20 |
| 37. | 溜溜梅 咔哩脆 | 29 | PRC | 56562541 | Our Company | 2021/12/21–2031/12/20 |
| 38. | 竹内 | 32 | PRC | 54416451 | Our Company | 2021/12/28–2031/12/27 |
| 39. | 梅冻 | 29 | PRC | 62118561 | Our Company | 2022/07/14–2032/07/13 |
| 40. | 溜溜梅 雪梅 | 29 | PRC | 65892649 | Our Company | 2023/05/14–2033/05/13 |
| 41. | 溜溜果园 LIULIU ORCHARD | 29 | PRC | 71762649 | Our Company | 2024/01/14–2034/01/13 |
| 42. | 每日彩虹 | 29 | PRC | 74850137 | Our Company | 2024/04/14–2034/04/13 |
| 43. | 江南梅乡 | 29 | PRC | 11963813 | Our Company | 2024/06/14–2034/06/13 |
| 44. | 厚清梅 | 29 | PRC | 76856202 | Our Company | 2024/09/07–2034/09/06 |
| 45. | 西梅纤生 | 29 | PRC | 72363837 | Our Company | 2024/10/07–2034/10/06 |
| 46. | | 29 | PRC | 76807093 | Our Company | 2024/10/14–2034/10/13 |

### *(c) Copyrights*

As of the Latest Practicable Date, our Group has registered the following copyrights which, in the opinion of the Directors, are material to our business:

| No. | Copyright name | Owner | Copyright number | First publication date *(yyyy/mm/dd)* | Place of registration |
|---|---|---|---|---|---|
| 1. | Cartoon Characters for Liuliumei Mascot and Twelve Constellations (溜溜梅吉祥物及12星座卡通形象) | Our Company | Guozuodengzi-2016-F-00283571 | 2016/08/30 | PRC |
| 2. | Cartoon Character for Uncle Liu (溜叔卡通形象) | Our Company | Guozuodengzi-2016-F-00283572 | 2016/08/30 | PRC |
| 3. | Main Character for Sister Meishi and Cartoon Characters for Magic Spell Cards of Twelve Constellations (梅事姐主形象及12星座魔法冪語卡卡通形象) | Our Company | Guozuodengzi-2016-F-00283573 | 2016/08/30 | PRC |
| 4. | Nita Cartoon Character (尼嗒卡通形象) | Our Company | Guozuodengzi-2016-F-00283927 | 2016/09/13 | PRC |
| 5. | China Plum (中國梅) | Our Company | Guozuodengzi-2016-F-00325849 | 2016/10/17 | PRC |
| 6. | China's Plum Festival on June 6 (6.6中國梅子節) | Our Company | Guozuodengzi-2016-F-00325848 | 2016/10/17 | PRC |
| 7. | Enjoying Your Fruits (有你好果子吃) | Our Company | Guozuodengzi-2017-F-00377678 | 2017/04/17 | PRC |
| 8. | Worry Dogs (有事汪) | Our Company | Guozuodengzi-2017-F-00377679 | 2017/04/17 | PRC |
| 9. | No Worry Cats (沒事喵) | Our Company | Guozuodengzi-2017-F-00377680 | 2017/04/17 | PRC |
| 10. | Cartoon Characters for No Worry Cats (沒事喵卡通形象) | Our Company | Guozuodengzi-2017-F-00490563 | 2017/08/17 | PRC |
| 11. | Enjoying Your Fruits Jungle Series Packaging Bag (有你好果子吃叢林裝系列包裝袋) | Our Company | Guozuodengzi-2018-F-00532771 | 2018/04/17 | PRC |
| 12. | Cards Showing No Worry Cats (炫喵沒事卡) | Our Company | Guozuodengzi-2018-F-00532772 | 2018/04/17 | PRC |

| No. | Copyright name | Owner | Copyright number | First publication date *(yyyy/mm/dd)* | Place of registration |
|---|---|---|---|---|---|
| 13. | Trouble-Free Plum Can Series Packaging (不煩梅罐裝系列包裝) | Our Company | Guozuodengzi-2018-F-00614230 | 2018/09/10 | PRC |
| 14. | Thick Plum Cake Series Packaging (厚梅糕系列包裝) | Our Company | Guozuodengzi-2018-F-00657339 | 2018/11/01 | PRC |
| 15. | Plum Nourishment Series Packaging (梅養系列包裝) | Our Company | Guozuodengzi-2018-F-00657338 | 2018/11/01 | PRC |
| 16. | Marinated Plum Series Packaging (泡梅系列包裝) | Our Company | Guozuodengzi-2018-F-00657342 | 2018/11/01 | PRC |
| 17. | Just Tease Me Series Packaging (沒事撩一下系列包裝) | Our Company | Guozuodengzi-2018-F-00657343 | 2018/11/01 | PRC |
| 18. | Two of Us Series Packaging (我倆系列包裝) | Our Company | Guozuodengzi-2018-F-00657341 | 2018/11/01 | PRC |
| 19. | Queen Plum Series Packaging (女王梅系列包裝) | Our Company | Guozuodengzi-2018-F-00657340 | 2018/11/01 | PRC |
| 20. | Liuliumei's Haute Couture Gift Box (溜溜梅高定禮盒) | Our Company | Guozuodengzi-2020-F-01016686 | 2020/04/08 | PRC |
| 21. | Green Plums are Now in Season (青梅上市了) | Our Company | Guozuodengzi-2020-F-01117424 | 2020/09/07 | PRC |
| 22. | Liuliumei's Traditional Chinese Style Series (溜溜梅國風系列) | Our Company | Guozuodengzi-2021-F-00043667 | 2021/02/24 | PRC |
| 23. | Green Plum Experience Station — T Station (青梅體驗站 — T站) | Our Company | Guozuodengzi-2021-F-00086638 | 2021/04/16 | PRC |
| 24. | Liuliumei's Bucket Series for Red Plum Welcoming Spring (溜溜梅紅梅報春桶系列) | Our Company | Guozuodengzi-2021-F-00090574 | 2021/04/22 | PRC |
| 25. | Green Plum Experience Station — C2 Station (青梅體驗站 — C2站) | Our Company | Guozuodengzi-2021-F-00122391 | 2021/06/02 | PRC |
| 26. | Sour Preserved Plum (酸話梅) | Our Company | Guozuodengzi-2021-F-00139967 | 2021/06/23 | PRC |

| No. | Copyright name | Owner | Copyright number | First publication date (yyyy/mm/dd) | Place of registration |
|---|---|---|---|---|---|
| 27. | Traditional Chinese Style 6-Flavor Green Plum Family Bucket (國風6味青梅全家桶) | Our Company | Guozuodengzi-2022-F-10026986 | 2022/02/08 | PRC |
| 28. | Liuliumei's Joyful Plum Bucket (溜溜梅喜上梅梢桶) | Our Company | Guozuodengzi-2022-F-10085334 | 2022/04/22 | PRC |
| 29. | Plum Flavor Unleashed Bucket — Sour (梅味大開桶 — 酸) | Our Company | Guozuodengzi-2022-F-10114955 | 2022/06/09 | PRC |
| 30. | Plum Flavor Unleashed Bucket — Plum (梅味大開桶 — 梅) | Our Company | Guozuodengzi-2022-F-10114950 | 2022/06/09 | PRC |
| 31. | 720g 5-Flavor Plum Jelly Assorted Package (720g5味梅凍繽紛裝) | Our Company | Guozuodengzi-2022-F-10114951 | 2022/06/09 | PRC |
| 32. | 800g Liuliumei's Green Plum Seasonal Story Gift Box (800g溜溜梅青梅時節物語禮盒) | Our Company | Guozuodengzi-2022-F-10168166 | 2022/08/17 | PRC |
| 33. | Crispy Green Plum Packaging (脆青梅包裝) | Our Company | Guozuodengzi-2022-F-10236954 | 2022/11/11 | PRC |
| 34. | Kari Crispy Green Plum Series Honey Flavor Packaging (咔哩脆青梅系列蜂蜜味包裝) | Our Company | Guozuodengzi-2022-F-10236960 | 2022/11/11 | PRC |
| 35. | Green Plum Treasure Bucket (青梅寶藏桶) | Our Company | Guozuodengzi-2023-F-00005044 | 2023/01/10 | PRC |
| 36. | Liuliumei's Green Tea Plum (溜溜梅綠茶青梅) | Our Company | Guozuodengzi-2023-F-00065216 | 2023/04/14 | PRC |
| 37. | Plum Jelly Cubes (梅凍凍凍仔) | Our Company | Guozuodengzi-2023-F-00068909 | 2023/04/19 | PRC |
| 38. | 1.78kg Bucketed Plum Jelly (1.78千克桶裝梅凍) | Our Company | Guozuodengzi-2023-F-00073419 | 2023/04/24 | PRC |

| No. | Copyright name | Owner | Copyright number | First publication date (yyyy/mm/dd) | Place of registration |
|---|---|---|---|---|---|
| 39. | 120g Heart-shaped Packaging Natural Green Plum Jelly + Grape-flavored Konjac Jelly (120g凍心裝天然青梅＋葡萄蒟蒻果凍) | Our Company | Guozuodengzi-2023-F-00078461 | 2023/04/28 | PRC |
| 40. | Plum Jelly Dream Factory Gift Box (梅凍夢工廠禮盒) | Our Company | Guozuodengzi-2023-F-00087785 | 2023/05/12 | PRC |
| 41. | Logo for Jiangnan Plum Village (江南梅鄉logo) | Our Company | Guozuodengzi-2023-F-00144275 | 2023/07/14 | PRC |
| 42. | 80g Sharing Packaging Herbal-flavored Preserved Plums (80g分享裝草本話梅) | Our Company | Guozuodengzi-2023-F-00145608 | 2023/07/17 | PRC |
| 43. | Jiangnan Plum Village — Trouble-Free Plum (江南梅鄉 — 不煩梅) | Our Company | Guozuodengzi-2023-F-00145609 | 2023/07/17 | PRC |
| 44. | 80g Small Can Packaging Herbal-flavored Preserved Plums (80g小罐梅草本話梅) | Our Company | Guozuodengzi-2023-F-00145603 | 2023/07/17 | PRC |
| 45. | Jiangnan Plum Village — Wife Plum (江南梅鄉 — 老婆梅) | Our Company | Guozuodengzi-2023-F-00145604 | 2023/07/17 | PRC |
| 46. | 180g Prune Enzyme Jelly Packaging (180g西梅酵素果凍包裝) | Our Company | Guozuodengzi-2023-F-00220253 | 2023/10/09 | PRC |
| 47. | Liuliumei Hopes Everything is Going Well when Back to School (溜溜梅開學啥都6) | Our Company | Guozuodengzi-2023-F-00229520 | 2023/10/16 | PRC |
| 48. | Jiangnan Plum Village Series Product Packaging Design — Queen Plum (江南梅鄉系列產品包裝設計 — 女王梅) | Our Company | Guozuodengzi-2023-F-00265477 | 2023/11/08 | PRC |

| No. | Copyright name | Owner | Copyright number | First publication date (yyyy/mm/dd) | Place of registration |
|---|---|---|---|---|---|
| 49. | No-additive Pitted Prune — Packaging Bag (0添加無核西梅 — 包裝袋) | Our Company | Guozuodengzi-2023-F-00301203 | 2023/12/15 | PRC |
| 50. | Liuliumei's Korean-Style Preserved Plum (溜溜梅韓話梅) | Our Company | Guozuodengzi-2023-F-00309805 | 2023/12/22 | PRC |
| 51. | Japanese Plum Cake Packaging (日式梅餅包裝) | Our Company | Guozuodengzi-2024-F-00001097 | 2024/01/03 | PRC |
| 52. | Aged Citrus Peel Plum Cake Packaging (陳皮梅餅包裝) | Our Company | Guozuodengzi-2024-F-00001098 | 2024/01/03 | PRC |
| 53. | Liuliumei's Heart Selection Series — Salted Plum Strips (溜溜梅心選系列 — 鹽津梅條) | Our Company | Guozuodengzi-2024-F-00005283 | 2024/01/09 | PRC |
| 54. | Daily Rainbow Plum Packaging Bag (每日彩虹梅包裝袋) | Our Company | Guozuodengzi-2024-F-00045022 | 2024/02/05 | PRC |
| 55. | 200g Plum Tea, Green Plum and Snow Pear Tea Soup Packaging Box (200g梅茶青梅雪梨茶湯包裝盒) | Our Company | Guozuodengzi-2024-F-00093164 | 2024/04/03 | PRC |
| 56. | 200g Plum Tea, Smoked Plum and Ginger Tea Soup Packaging Box (200g梅茶烏梅薑茶湯包裝盒) | Our Company | Guozuodengzi-2024-F-00093166 | 2024/04/03 | PRC |
| 57. | 200g Plum Tea, Smoked Plum and Ginger Tea Soup Packaging Bag (200g梅茶烏梅薑茶湯包裝袋) | Our Company | Guozuodengzi-2024-F-00093165 | 2024/04/03 | PRC |
| 58. | 60g Leisure Packaging Real Smoked Plums (60g休閒裝真烏梅) | Our Company | Guozuodengzi-2024-F-00097461 | 2024/04/10 | PRC |

| No. | Copyright name | Owner | Copyright number | First publication date (yyyy/mm/dd) | Place of registration |
|---|---|---|---|---|---|
| 59. | Orange and Grapefruit Fruit Nectar Jelly Packaging Bag (香橙西柚果漿果凍包裝袋) | Plum Jelly Tech | Guozuodengzi-2024-F-00111973 | 2024/04/28 | PRC |
| 60. | Snow Pear and Loquat Fruit Nectar Jelly Packaging Bag (雪梨枇杷果漿果凍包裝袋) | Plum Jelly Tech | Guozuodengzi-2024-F-00111972 | 2024/04/28 | PRC |
| 61. | 221g Pitted Prune Packaging Bag (221g無核西梅包裝袋) | Our Company | Guozuodengzi-2024-F-00238865 | 2024/08/12 | PRC |
| 62. | 221g Pitted Prune Roll Film (221g無核西梅卷膜) | Our Company | Guozuodengzi-2024-F-00238864 | 2024/08/12 | PRC |
| 63. | Liuliumei's Super Green Plum Music Festival KV (溜溜梅超級青梅音樂節KV) | Our Company | Guozuodengzi-2024-F-00251431 | 2024/08/23 | PRC |
| 64. | 2.0 Prune Products — 100g Chilean Pitted Prunes (2.0西梅產品 — 100g智利無核西梅) | Our Company | Guozuodengzi-2024-F-00260782 | 2024/09/02 | PRC |
| 65. | Liuliumei's Guizhou Sour-spicy Plum (溜溜梅貴州酸辣梅) | Our Company | Guozuodengzi-2024-F-00260773 | 2024/09/02 | PRC |
| 66. | Liuliumei's Pineapple-flavored Bobo Plum (溜溜梅鳳梨啵啵梅) | Our Company | Guozuodengzi-2024-F-00260774 | 2024/09/02 | PRC |
| 67. | Liuliumei's Japanese Plum Cake (溜溜梅日式梅餅) | Our Company | Guozuodengzi-2024-F-00285121 | 2024/09/27 | PRC |
| 68. | 500g 3-Flavor Lactic Acid Bacteria Fruit Nectar Plum Jelly (500g3味乳酸菌果漿梅凍) | Plum Jelly Tech | Guozuodengzi-2024-F-00295110 | 2024/10/10 | PRC |
| 69. | 140g + 30g Free Prunes (140g＋贈30g西梅) | Our Company | Guozuodengzi-2024-F-00308226 | 2024/10/18 | PRC |
| 70. | Premium Plum (皇梅) | Our Company | Guozuodengzi-2024-F-00308818 | 2024/10/18 | PRC |

| No. | Copyright name | Owner | Copyright number | First publication date (yyyy/mm/dd) | Place of registration |
|---|---|---|---|---|---|
| 71. | 610g Eye-Catching Package — Joyful Plum (610g顯眼包 — 喜上梅梢) | Our Company | Guozuodengzi-2024-F-00348825 | 2024/12/03 | PRC |
| 72. | 50g Korean-Style Preserved Plum Packaging Bag (50g韓話梅包裝袋) | Our Company | Guozuodengzi-2024-F-00348827 | 2024/12/03 | PRC |
| 73. | 50g Queen Plum Packaging Bag (50g女王梅包裝袋) | Our Company | Guozuodengzi-2024-F-00348829 | 2024/12/03 | PRC |
| 74. | 40g Salted Plum Strip Packaging Bag (40g鹽津梅條包裝袋) | Our Company | Guozuodengzi-2024-F-00348824 | 2024/12/03 | PRC |
| 75. | 40g Flavorful Preserved Plum Packaging Bag (40g開味話梅包裝袋) | Our Company | Guozuodengzi-2024-F-00348828 | 2024/12/03 | PRC |
| 76. | 520g Green Plum Family Bucket — The Edition Wishing Everything Goes Smoothly during the Chinese New Year (520g青梅全家桶 — CNY新年666款) | Our Company | Guozuodengzi-2024-F-00348826 | 2024/12/03 | PRC |

### *(d) Domain Names*

As of the Latest Practicable Date, our Group has registered the following domain which, in the opinion of the Directors, is material to our business:

| No. | Domain | Owner | Expiry date (yyyy/mm/dd) |
|---|---|---|---|
| 1. | liuliumei.com | Our Company | 2029/03/06 |

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters

Each of our executive Directors and non-executive Directors has entered into a service contract with our Company for an initial term of three years, and we signed letters of appointment with each of our independent non-executive Directors. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors or Supervisors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

### 2. Remuneration of Directors and Supervisors

Save as disclosed in "Directors, Supervisors and Senior Management" and Note 9 to the Accountants' Report, no Director or Supervisor received other remuneration or benefits in kind from our Company in 2022, 2023 and 2024.

### 3. Disclosure of interests

#### *(a) Disclosure of interests of Directors, Supervisors and chief executive of our Company*

Immediately following the completion of the [REDACTED] and assuming no exercise of the [REDACTED], the interest and/or short position (as applicable) of our Directors, Supervisors and chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities

Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the H Shares are [REDACTED], will be as follows:

*Interests in our Company*

| | | Shares held in the total share capital of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) | | |
|---|---|---|---|---|
| **Name** | **Nature of interest** | **Class of Shares** | **Number of Shares** | **Shareholding percentage** |
| | | | | *(Approximate %)* |
| Mr. Yang[1] | Beneficial owner, interest held by controlled corporations, interest of spouse | Domestic Unlisted Shares | 59,108,359 | [REDACTED]% |

*Notes:*

(L) All the interests stated are long positions.

(1) As of the Latest Practicable Date, Jurun Investment is owned as to 90% by Mr. Yang, who is our executive Director, and 10% by Ms. Li, the spouse of Mr. Yang. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Jurun Investment. Kaixuan Star is owned as to approximately 15.28% by Mr. Yang and 5.56% by Ms. Li, and Mr. Yang is the general partner of Kaixuan Star. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Kaixuan Star. Kailai Star, our share incentive platform, is owned as to approximately 14.54% by Mr. Yang and approximately 41.67% by Liuliu Star and Mr. Yang is the general partner of Kailai Star. Liuliu Star was owned as to approximately 45.50% by Mr. Yang and Mr. Yang is the general partner of Liuliu Star. By virtue of the SFO, Mr. Yang is deemed to be interested in the Shares held by Kailai Star.

Save as disclosed above, none of the Directors, Supervisors or the chief executive of our Company will, immediately following the completion of the [REDACTED] and the conversion of the Domestic Unlisted Shares into H Shares, have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of our Company or any interests and/or short positions (as applicable) in the shares, underlying shares or debentures of our Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are [REDACTED] on the Stock Exchange.

***(b) Disclosure of interests of substantial shareholders***

Save as disclosed in "Substantial Shareholders", immediately following the completion of the [REDACTED] and assuming that the [REDACTED] is not exercised, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company or any other members of our Group.

**4. Agency Fees or Commissions Received**

Save as disclosed in "[REDACTED]", no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital or security of any member of our Group.

**5. Disclaimers**

(a) save as disclosed in "Substantial Shareholders" and this appendix, none of our Directors, Supervisors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [REDACTED];

(b) save as disclosed in "History, Development and Corporate Structure" and this appendix, none of our Directors, Supervisors or any of the experts listed in "E. Other Information — 12. Qualification of Experts" in this appendix is:

  (i) interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group; or

  (ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(c) save as disclosed in "Substantial Shareholders" and this appendix, so far as is known to our Directors, Supervisors or the chief executive of our Company, no person (not being a Director, Supervisor or chief executive of our Company) will, immediately following the completion of the [REDACTED], have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(d) none of our Directors, Supervisors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

## D. PRE-[REDACTED] SHARE INCENTIVE PLAN

The following is a summary of the principal terms of the Pre-[REDACTED] Share Incentive Plan approved and adopted by our Company on January 15, 2025 for the purpose of attracting and retaining talents for our Group. Under the Pre-[REDACTED] Share Incentive Plan, eligible participants are granted interests in Kailai Star and Liuliu Star, which holds approximately 41.67% interests in Kailai Star ("**Pre-[REDACTED] Share Incentive Platform(s)**"). As of the Latest Practicable Date, Kailai Star held approximately 3.56% of our total issued Shares. See "History, Development and Corporate Structure". The Pre-[REDACTED] Share Incentive Plan is not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-[REDACTED] Share Incentive Plan does not involve the grant of options by our Company to subscribe for new Shares or award of Shares upon [REDACTED].

### (a) Purpose

The purpose of the Pre-[REDACTED] Share Incentive Plan is to attract and retain talents for our Group. The Pre-[REDACTED] Share Incentive Plan fosters shared interests between our Shareholders and our management team, thereby furthering our Company's focus on long-term development.

### (b) Form of the Pre-[REDACTED] Share Incentive Plan

The grantees, as limited partners of the Pre-[REDACTED] Share Incentive Platforms, shall subscribe for partnership interest therein according to the amount approved by the Board (the "**Awards**"), and make the corresponding contribution in accordance with the arrangement of the Board, thereby holding indirect interest in the Shares.

**(c) Eligible participants**

Persons eligible to participate in the Pre-[REDACTED] Share Incentive Plan are the employees of our Group who have made contribution to the development of our Group. The Board decides on the list of grantees and allocation of the Awards after considering, among other things, the job nature, professional qualities, employees' years of service, historical performance and contribution to our Group, growth potential and recognition with our corporate values.

**(d) Term**

Subject to any early termination due to, among others, the liquidation or cessation of business of our Company, the Pre-[REDACTED] Share Incentive Plan shall be valid and effective from the adoption date of the plan and expire on the date of completion of the reduction of all the participants' shareholdings or the completion of the repurchase and cancellation of such shareholdings.

**(e) Scheme administration**

Mr. Yang has been authorized by the Board to act as the scheme administrator, and has the authority to, among others, determine the eligible participants of the schemes, the number of shares to be granted, the grant price, and the repurchase of shares from grantees.

**(f) Voting rights**

All grantees under the Pre-[REDACTED] Share Incentive Plan are informed and acknowledge that Mr. Yang, the general partner of Kailai Star and Liuliu Star, is entitled, pursuant to the partnership agreements, to represent Kailai Star at our Company's shareholders' meetings and to independently exercise voting rights, respectively.

**(g) Transfer restrictions**

The Awards granted to the grantees will be unlocked in the following manners subject to the achievement of the certain performance targets of the Company and the grantee respectively (individually and collectively):

- 33% of the total number of Awards shall be released from transfer restrictions from the business day following the second anniversary of the date of [REDACTED] to the last business day right before the third anniversary of the date of [REDACTED];

- 33% of the total number of Awards shall be released from transfer restrictions from the business day following the third anniversary of the date of [REDACTED] to the last business day right before the fourth anniversary of the date of [REDACTED]; and

- 33% of the total number of Awards shall be released from transfer restrictions from the business day following the fourth anniversary of the date of [REDACTED] to the last business day right before the fifth anniversary of the date of [REDACTED].

(together, the "**Time-based Unlocking Schedule**")

The Remuneration and Appraisal Committee of the Board shall review and determine the fulfillment of the performance targets, and report to the Board accordingly.

**(h) Repurchase of the Awards**

The general partner of the Pre-[REDACTED] Share Incentive Platforms or any person designated by the general partner of the Pre-[REDACTED] Share Incentive Platforms, has the right to repurchase all Awards held by the grantees, if (i) the Awards failed to be unlocked during the Time-based Unlocking Schedule; (ii) due to faults of the grantees, such as violation of the applicable regulations and laws, violation of contracts, negligence, or other actions causing negative impact on our Company; and (iii) the employment relationship between the grantees and our Company terminates due to non-fault actions of the grantees such as, among other things, death, loss of civil or labour capability, non-fault dismissal.

### (i) Details of the Awards granted

Below is the details of the partnership interests in the Pre-[REDACTED] Share Incentive Platforms and/ or list of the grantees under the Pre-[REDACTED] Share Incentive Plan that are granted with the Awards:

| | Percentage of capital contribution in Pre-[REDACTED] Share Incentive Platforms | | As of the Latest Practicable Date and immediately prior to the [REDACTED] | |
|---|---|---|---|---|
| Name of grantee | Kailai Star | Liuliu Star | Approximate number of Shares corresponding to the Awards held by the grantee[Note] | Approximate shareholding percentage corresponding to the Awards held by the grantee in the total number of Shares in issue |
| **Directors** | | | | |
| Mr. Yang | 14.54% | 45.50% | 804,000 | 1.19% |
| Mr. Mei Huixiang | 8.33% | – | 199,998 | 0.30% |
| Mr. Ning Pengfei | 6.25% | – | 150,000 | 0.22% |
| Ms. Hu Yan | 2.08% | – | 49,998 | 0.07% |
| Mr. Gou Bin | – | 10.00% | 100,000 | 0.15% |
| **Supervisors of the Company** | | | | |
| Ms. Zhang Wenxia (張文霞) | 1.25% | – | 30,000 | 0.04% |
| **Senior management of the Company (other than the Directors)** | | | | |
| Mr. Zhang Shuai (張帥) | – | 10.00% | 100,000 | 0.15% |
| Mr. Lu Jianlong (盧建龍) | – | 10.00% | 100,000 | 0.15% |
| Mr. Chen Jie (陳杰) | – | 5.00% | 50,000 | 0.07% |
| **Other grantees being employees of our Group** | 25.88% | 19.50% | 816,004 | 1.21% |

*Note:* For illustrating the indirect interests of grantee in our Company, the number of Shares are presented and calculated by multiplying their respective percentage of limited partnership interests by the total number of Shares held by the Pre-[REDACTED] Share Incentive Platforms.

All Awards granted had been vested and all partnership interests in Kailai Star and Liuliu Star have been subscribed by and fully paid up by the grantees, and the relevant registration had been completed. No further Awards will be granted after the date of this document and the Pre-[REDACTED] Share Incentive Plan will not cause any dilution of the shareholding of our Shareholders after the [REDACTED].

## E. OTHER INFORMATION

### 1. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon the Group.

### 2. Litigation

Except as disclosed in "Business — Legal Proceedings and Compliance", as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

### 3. Application for [REDACTED]

The Joint Sponsors have made an application on behalf of our Company to the [REDACTED] for the [REDACTED] of, and permission to deal in (i) the Domestic Unlisted Shares to be converted into H Shares; and (ii) the H Shares to be issued as mentioned in this document. All necessary arrangements have been made to enable the securities to be admitted into [REDACTED].

### 4. Joint Sponsors' Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The sponsor fees payable to the Joint Sponsors in connection with the [REDACTED] by our Company is HK$[REDACTED] million in aggregate.

### 5. Compliance Advisor

Our Company has appointed Guoyuan Capital (Hong Kong) Limited as our compliance advisor in compliance with Rules 3A.19 and 19A.05 of the Listing Rules.

### 6. Preliminary Expenses

As of the Latest Practicable Date, our Company had not incurred material preliminary expenses.

### 7. Promoter

See "History, Development and Corporate Structure — Corporate Development — Conversion into a Joint Stock Limited Company in April 2016" for details of our promoters when we were established as a joint stock limited company.

Save as disclosed in "History, Development and Corporate Structure", within the two years immediately preceding the date of this document, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the above promoter in connection with the [REDACTED] or related transactions herein.

**8. Consents of Experts**

Each of the experts as listed in "E. Other Information — 12. Qualification of Experts" in this appendix has given and has not withdrawn its consent to the issuance of this document with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

**9. Binding Effect**

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**10. Bilingual document**

The English language and Chinese language versions of this document are being published separately in reliance on the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

This document is written in the English language and contains a Chinese translation for information purposes only. Should there be any discrepancy between the English language of this document and the Chinese translation, the English language version of this document shall prevail.

**11. Taxation of Holders of H Shares**

***(a) Hong Kong***

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

***(b) Consultation with Professional Advisors***

Intending holders of the H Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or [REDACTED] in the H Shares. It is emphasized that none of our Company, our Directors, Supervisors or the other parties involved in the [REDACTED] will accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or [REDACTED] in the H Shares or exercise of any rights attaching to them.

**12. Qualification of Experts**

The followings are the qualifications of the experts who have given opinion or advice which are contained herein:

| Name | Qualifications |
|---|---|
| **CITIC Securities (Hong Kong) Limited** | A licensed corporation under the SFO to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| **Guoyuan Capital (Hong Kong) Limited** | A licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| **AllBright Law Offices** | Legal advisors as to PRC laws |
| **Ernst & Young** | Certified Public Accountants and Registered Public Interest Entity Auditor |
| **Frost & Sullivan** | Independent industry consultant |

**13. No Material Adverse Change**

Our Directors believe that there has been no material adverse change in the financial or trading position since December 31, 2024 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

**14. Miscellaneous**

Save as disclosed in "History, Development and Corporate Structure", "Share Capital" and this appendix:

(a) within the two years immediately preceding the date of this document, our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) our Company has not issued nor agreed to issue founder, management or deferred shares or any deferred debentures;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) within the two years immediately preceding the date of this document, no commission, discount, brokerage or other special term has been granted or agreed to be granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(f) within the two years immediately preceding the date of this document, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(g) there is no arrangement under which future dividends are waived or agreed to be waived;

(h) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months; and

(i) our Company is not presently [REDACTED] on any stock exchange or traded on any trading system.

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Appendix VI — Statutory and General Information — B. Further Information about our Business — A. Summary of Material Contracts"; and

(b) the written consents referred to in "Appendix VI — Statutory and General Information — E. Other Information — 8. Consents of Experts".

## DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of our Company at **www.liuliumei.com** and on the website of the Stock Exchange at **www.hkexnews.hk** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the accountant's report from Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for the three years ended December 31, 2022 and 2023 and 2024;

(d) the [REDACTED] financial information of our Group from Ernst & Young, the text of which is set forth in Appendix II to this document;

(e) the industry report issued by Frost & Sullivan referred to in "Industry Overview";

(f) the PRC legal opinions issued by AllBright Law Offices, our PRC Legal Advisors;

(g) the material contracts referred to "Appendix VI — Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts";

(h) the service contracts referred to in "Appendix VI — Statutory and General Information — C. Further Information about our Directors, Supervisors and Substantial Shareholders — 1. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters";

(i) the written consents referred to in "Appendix VI — Statutory and General Information — E. Other Information — 8. Consents of Expert"; and

(j) the PRC Company Law, the PRC Securities Law, the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies, together with unofficial English translations thereof.