



重慶洪九果品股份有限公司 Chongqing Hongjiu Fruit Co., Limited

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

STOCK CODE : 6689



GLOBAL OFFERING

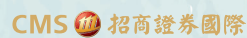
Sole Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Joint Lead Manager



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.



Chongqing Hongjiu Fruit Co., Limited 重慶洪九果品股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	14,012,500 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	1,401,400 H Shares (subject to reallocation)
Number of International Offer Shares	:	12,611,100 H Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$52.00 per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB1.00 per H Share
Stock code	:	6689

*Sole Sponsor, Joint Global Coordinator, Joint Bookrunner
and Joint Lead Manager*



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Joint Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the section headed "Appendix VII — Documents Delivered to the Registrar of Companies and Available on Display" in this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, August 29, 2022 (Hong Kong time) and, in any event, not later than Tuesday, August 30, 2022 (Hong Kong time). The Offer Price will be not more than HK\$52.00 and is currently expected to be not less than HK\$40.00 per Offer Share. If, for any reason, the Offer Price is not agreed by Tuesday, August 30, 2022 (Hong Kong time) between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

We are incorporated, and a majority part of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Regulatory Overview" and "Appendix IV — Summary of the Articles of Association" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting" in this Prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, registration under the U.S. Securities Act. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. This Prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at <http://www.hjfruit.com>. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

August 24, 2022

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This Prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at <http://www.hjfruit.com>. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk;
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar and **White Form eIPO** Service Provider, **Computershare Hong Kong Investor Services Limited**, both at +852 2862 8600 on the following dates:

Wednesday, August 24, 2022 — 9:00 a.m. to 9:00 p.m.
Thursday, August 25, 2022 — 9:00 a.m. to 9:00 p.m.
Friday, August 26, 2022 — 9:00 a.m. to 9:00 p.m.
Saturday, August 27, 2022 — 9:00 a.m. to 6:00 p.m.
Sunday, August 28, 2022 — 9:00 a.m. to 6:00 p.m.
Monday, August 29, 2022 — 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this Prospectus are identical to the printed Prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

IMPORTANT

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this Prospectus is available online at the website addresses above. Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Chongqing Hongjiu Fruit Co., Limited
(HK\$52.00 per Hong Kong Offer Share)

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
100	5,252.41	2,000	105,048.17	10,000	525,240.82	200,000	10,504,816.40
200	10,504.82	2,500	131,310.21	20,000	1,050,481.64	250,000	13,131,020.50
300	15,757.22	3,000	157,572.24	30,000	1,575,722.46	300,000	15,757,224.60
400	21,009.63	3,500	183,834.28	40,000	2,100,963.28	350,000	18,383,428.70
500	26,262.04	4,000	210,096.33	50,000	2,626,204.10	400,000	21,009,632.80
600	31,514.45	4,500	236,358.37	60,000	3,151,444.92	450,000	23,635,836.90
700	36,766.85	5,000	262,620.41	70,000	3,676,685.74	500,000	26,262,041.00
800	42,019.26	6,000	315,144.49	80,000	4,201,926.56	550,000	28,888,245.10
900	47,271.67	7,000	367,668.58	90,000	4,727,167.38	600,000	31,514,449.20
1,000	52,524.08	8,000	420,192.65	100,000	5,252,408.20	650,000	34,140,653.30
1,500	78,786.13	9,000	472,716.74	150,000	7,878,612.30	700,700 ⁽¹⁾	36,803,624.25

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at <http://www.hjfruit.com>.

Hong Kong Public Offering commences 9:00 a.m. on Wednesday,
August 24, 2022

Latest time to complete electronic applications under
White Form eIPO service through the designated
website www.eipo.com.hk⁽²⁾ 11:30 am on Monday,
August 29, 2022

Application lists of the Hong Kong Public Offering open⁽³⁾ 11:45 am on Monday,
August 29, 2022

Latest time to give **electronic application instructions**
to HKSCC⁽⁴⁾ 12:00 noon on Monday,
August 29, 2022

Latest time to complete payment of **White Form eIPO**
applications by effecting Internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on Monday,
August 29, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close 12:00 noon on Monday,
August 29, 2022

Expected Price Determination Date⁽⁵⁾ Monday, August 29, 2022

Announcement of the Offer Price, an indication of
the level of interest in the International Offering,
the level of applications in the Hong Kong
Offering and the basis of allocation of the Hong Kong
Offer Shares to be published on the websites of
the Stock Exchange at www.hkexnews.hk and
our Company at <http://www.hjfruit.com>⁽⁷⁾
on or before Friday, September 2, 2022

EXPECTED TIMETABLE⁽¹⁾

Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (as described in the section headed "How to Apply for Hong Kong Offer Shares — 12. Publication of Results" in this Prospectus) including:

- (1) in the announcement to be posted on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at <http://www.hjfruit.com>⁽⁷⁾ from Friday, September 2, 2022

- (2) from the designated results of allocations website at www.iporeresults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function 8:00 a.m. on Friday, September 2, 2022 to 12:00 midnight on Thursday, September 8, 2022

- (3) from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Friday, September 2, 2022, Monday, September 5, 2022, Tuesday, September 6, 2022 and Wednesday, September 7, 2022

White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before⁽⁸⁾⁽⁹⁾ Friday, September 2, 2022

Dispatch/collection of H Share certificates or deposit of H Share certificates into CCASS in respect of wholly or partially successful application under the Hong Kong Public Offering on or before⁽⁶⁾⁽⁹⁾ Friday, September 2, 2022

Dealings in H Shares on the Stock Exchange to commence at 9:00 a.m. on Monday, September 5, 2022

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

EXPECTED TIMETABLE⁽¹⁾

- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a typhoon warning signal number 8 or above, Extreme Conditions and/or a “black” rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Monday, August 29, 2022, the application lists will not open on that day. See “How to Apply for Hong Kong Offer Shares — 11. Effect of Bad Weather on the Opening and Closing of the Application Lists” of this Prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares — 7. Applying through CCASS EIPO Service” of this Prospectus.
- (5) The Price Determination Date is expected to be on or around Monday, August 29, 2022, and, in any event, not later than Tuesday, August 30, 2022. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Tuesday, August 30, 2022 or, the Global Offering will not proceed and will lapse.
- (6) The H Share certificates are expected to be issued on Friday, September 2, 2022 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Monday, September 5, 2022. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of the H share certificates and before they become valid do so entirely of their own risk.
- (7) None of the websites or any of the information contained on the website forms part of this Prospectus.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund check.
- (9) Applicants who have applied on **White Form eIPO** for 500,000 or more Hong Kong Offer Shares may collect any refund cheques (where applicable) and/or H Share certificates in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, September 2, 2022 or such other date as notified by us as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to the section headed “How to Apply for Hong Kong Offer Shares — 15. Despatch/Collection of H Share Certificates and Refund Monies — Personal Collection — (ii) If you apply through CCASS EIPO service” for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

EXPECTED TIMETABLE⁽¹⁾

H Share certificates and/or refund cheques for applicants who have applied for less than 500,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — 14. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 15. Despatch/Collection of H Share Certificates and Refund Monies."

The H Share certificates will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with their respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Monday, September 5, 2022. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" of this Prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and H Share certificates.

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This Prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the GREEN Application Form to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

TABLE OF CONTENTS

	<i>Page</i>
Expected Timetable	i
Contents	v
Summary	1
Definitions	26
Glossary of Technical Terms	40
Forward-looking Statements	46
Risk Factors	48
Information about this Prospectus and the Global Offering	99

CONTENTS

Waivers from Strict Compliance with the Listing Rules	104
Directors, Supervisors and Parties Involved in the Global Offering	108
Corporate Information	117
Industry Overview	120
Regulatory Overview	133
History, Development and Corporate Structure	155
Business	190
Relationship with Our Controlling Shareholders	301
Continuing Connected Transactions	308
Directors, Supervisors and Senior Management	309
Substantial Shareholders	334
Share Capital	339
Financial Information	344
Future Plans and Use of Proceeds	421
Cornerstone Investors	427
Underwriting	432
Structure of the Global Offering	445
How to Apply for Hong Kong Offer Shares	456
Appendix I — Accountants' Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of Principal Legal and Regulatory Provisions ..	III-1
Appendix IV — Summary of the Articles of Association	IV-1

CONTENTS

Appendix V	— Taxation and Foreign Exchange	V-1
Appendix VI	— Statutory and General Information.	VI-1
Appendix VII	— Documents Delivered to the Registrar of Companies and Available on Display	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide whether to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this Prospectus. You should read that section carefully before you decide whether to invest in the Offer Shares.

BUSINESS OVERVIEW

We are a fast-growing and multi-brand fruit company in China with an end-to-end supply chain. We focus on managing the entire supply chain for quality fruits primarily grown in China, Thailand and Vietnam. Capitalizing on our industry experience accumulated through nearly 20 years of operations, we established a product portfolio covering 49 fruit categories as of the Latest Practicable Date, among which durian, mangosteen, longan, dragon fruit, cherry and grapes are our core products. Through selecting and sourcing quality fruits grown from over 100 places of origin, together with direct procurement, standardized processing, and digitalized supply chain management, we have built up a portfolio of self-owned fruit brands covering a variety of categories. Leveraging our strategic penetration into premium places of origin, sales and distribution network across China, as well as efficient end-to-end supply chain, we are able to distribute our fruit products directly from orchards to retailers across China.

During the Track Record Period, we focused on developing fruit products in categories that enjoyed fast-growing market share and high consumption values in China. We were China’s largest durian distributor, as well as one of the top five distributors of dragon fruit, mangosteen and longan, by sales revenue in 2021, according to CIC.

OUR FRUIT PRODUCTS AND BRANDS

Fruit is generally sold unbranded across categories, resulting in homogeneous competition and low profitability. Leveraging our branding capabilities and premium fruit attributes, we have successfully built 18 fruit brands across 14 fruit categories, leading to a distinctive market position and increased market share.

With our expertise and know-how in the fruit industry, we have been successful in product selection and branding. During the Track Record Period, among numerous fruits, we selected only six as our core fruit products that were among China’s fastest-growing fruit categories. According to CIC, these six fruit categories accounted for 64.6% of China’s total imported fruits market by retail value in 2021, making them the major imported fruit categories. When selecting our core products, we take into account their rarity in nature, uniqueness of taste, nutrition levels, as well as their places of origin, which make it relatively difficult to find alternatives among domestic fruits. These attributes paved the way for our branding strategy and we have carried all of our core fruit products under self-owned brands. During the Track Record Period, revenue generated from our branded fruit products accounted for over 70% of our total revenue, which was well above the industry average.

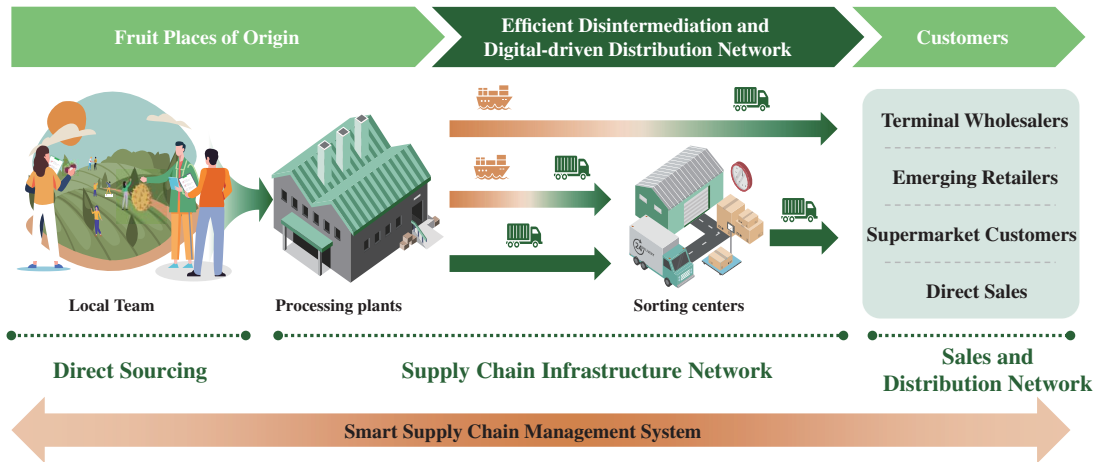
SUMMARY

Our fruit products and brands are highly regarded by consumers. As of May 31, 2022, eight of China's top ten supermarkets by sales revenue in 2021 were our customers, according to CIC. In addition, our market share in China's durian distribution market has increased from 2.8% in 2019 to 8.3% in 2021 by sales revenue, according to CIC.

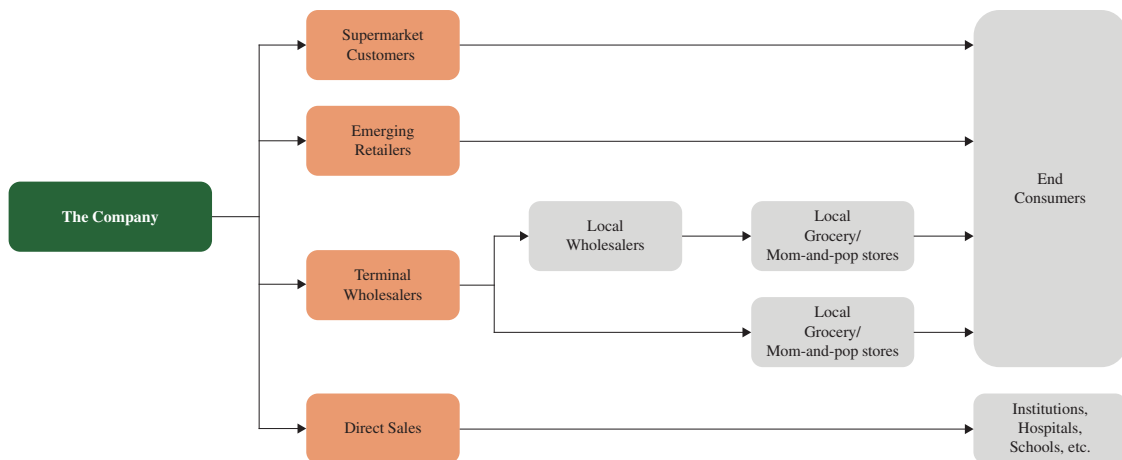
OUR END-TO-END SUPPLY CHAIN

We have built a digitalized end-to-end supply chain in the fresh fruit industry. We source the majority of our branded fruit products directly from their origins, process and grade them at local fruit processing plants, and further distribute them to customers across China. Our end-to-end supply chain consists of the following elements: (i) deep penetration into places of origin for procurement and processing; (ii) efficient disintermediation and digital-driven distribution network; and (iii) comprehensive distribution sales grids with national coverage in China.

The following picture illustrates our supply chain management system.



The diagram below illustrates the flow of our fruit products from us to end consumers through different distribution channels during the Track Record Period:



SUMMARY

As illustrated above, we sold our fruits through the following distribution channels during the Track Record Period:

- Terminal Wholesalers: we primarily sold fruit products to wholesalers with strong distribution capacities as well as access to end consumers.
- Emerging Retailers: we sold fruit products directly to emerging retailers, represented by community group buying, community-based fresh-food chain stores and on-demand e-commerce.
- Supermarket Customers: we sold fruit products directly to supermarkets with extensive national and/or local coverage.
- Direct Sales: we also sold fruit products directly to customers through points of sale, which is a natural extension of the other channels that complement our sales and distribution network.

OUR MARKET OPPORTUNITIES AND LANDSCAPE

China's economy has surged in recent decades, resulting in the fast development of urbanization and an increase in per capita disposable income. According to CIC, the market size by retail value of China's fresh fruit retail market has increased from RMB939.0 billion in 2017 to RMB1,336.9 billion in 2021, representing a CAGR of approximately 9.2%.

Fresh fruit distributors are midstream participants in the fresh fruit value chain. The market size of fresh fruit distribution is closely related to the market size and pricing of downstream fresh fruit retail. The market size of fresh fruit distribution in China has increased from RMB745.1 billion in 2017 to RMB1,071.7 billion by sales revenue in 2021, representing a CAGR of 9.5%. In the meantime, to form competitive differentiation, and enhance customers' recognition, fresh fruit distributors have started to sell fruits marked with their own trademarks or logos, and have gradually established brand recognition and awareness among the public. In terms of sales revenue of self-owned branded products, the market size of China's branded fresh fruit distribution has grown from approximately RMB134.1 billion in 2017 to approximately RMB368.7 billion in 2021, representing a CAGR of 28.8%. In 2021, the branding rate of fresh fruit distributors was 34%, representing a significant increase from a branding rate of 18% in 2017.

The competitive landscape of China's fresh fruit distribution market is highly competitive and has the following trends:

- Low level of market concentration: the fresh fruit distribution market in China is highly fragmented, with top five players only accounted for less than 5% of the market share by sales revenue in 2021. In addition, the market competition is fierce in China. As China's second largest fresh fruit distributor, our market share was 1.0% while the market share of China's largest fresh fruit distribution was 1.1% in

SUMMARY

2021. However, according to CIC, leading fresh fruit distributors actively accelerated their expansion to scale business operation and realize economies of scale to improve their market position. Subsequently, leading players are expected to gain more market share, resulting in a rise in market concentration, leaving less opportunities for distributors operating on a smaller scale. The market concentration ratio of the top five players in China increased from approximately 2.0% in 2019 to 3.2% in 2021.

- Lack of market integration and end-to-end: fresh fruit distributors in China typically focus on a single segment of the fresh fruit value chain and operate on a small scale. According to CIC, the average sales revenue of fresh fruit distributors in China is approximately RMB3.0 million, with less than 1% of them generating over RMB20.0 million in sales revenue. As such, the demands for fresh fruit distributors with omni-channel distribution networks to cover the end-to-end demands of customers, ranging from sourcing all the way to distribution, are growing rapidly.
- Lack of nationwide distribution network: there are approximately 300,000 fresh fruit distributors of different business scales in China. However, most players are usually regional, making it more difficult for them to scale across regions.

OUR MAJOR SUPPLIERS AND MAJOR CUSTOMERS

During the Track Record Period, our top five suppliers were fruit suppliers and logistics service providers. The aggregate purchases from our top five suppliers amounted to RMB733.2 million, RMB853.1 million, RMB905.3 million and RMB620.4 million during the Track Record Period, representing 44.0%, 19.3%, 11.0% and 14.0%, respectively, of our total purchases for the respective periods. In 2019, 2020 and 2021 and the five months ended May 31, 2022, purchases from our largest supplier accounted for 17.2%, 5.5%, 2.8% and 3.9%, respectively, of our total purchases for the respective periods.

During the Track Record Period, our top five customers were terminal wholesalers, emerging retailers and supermarket customers. The aggregate revenue generated from our top five customers amounted to RMB494.1 million, RMB847.1 million, RMB1,242.0 million and RMB615.2 million during the Track Record Period, representing 23.7%, 14.7%, 12.2% and 10.8%, respectively, of our total revenue for the respective periods. In 2019, 2020 and 2021 and the five months ended May 31, 2022, revenue generated from our largest customer accounted for 9.2%, 3.9%, 3.8% and 2.9%, respectively, of our total revenue for the respective periods.

SUMMARY

OUR STRENGTHS

We believe that the following competitive strengths differentiate us from our competitors and have contributed to our success: (i) fast-growing player in fresh fruit industry with strong momentum for future development; (ii) a portfolio of fruit brands with product competitiveness; (iii) end-to-end operational capability across the entire value chain; (iv) nationwide sales and distribution network that stays current with the latest retail trends; (v) advanced digital operation capabilities covering the entire business; and (vi) visionary management team and cohesive corporate culture. For details of our strengths, please see “Business — Our Strengths.”

OUR STRATEGIES

We expect to continue growing and expanding our business, as well as consolidating our market position and share in China’s fresh fruit industry. We aim to achieve this through implementing the following strategies: (i) consolidate our market position and further expand into new categories; (ii) expand sales and distribution network and improve customer service capabilities; (iii) increase investment in promoting brand awareness; (iv) accelerate digitalization and improve operational efficiency; and (v) build a global fruit industry internet platform to promote industry-wise development and upgrade. For details of our development strategies, please see “Business — Our Strategies.”

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

During the Track Record Period, we determined the selling prices of our fruit products on a cost-plus basis with reference to (i) cost of sales, mainly representing costs of fruits, logistics costs, manufacturing costs and labor costs; and (ii) a mark-up rate for different fruit products.

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, extracted from the Accountants’ Report set out in Appendix I to this Prospectus. The below summary should be read in conjunction with the consolidated financial information in Appendix I, including the accompanying notes and the information set forth in “Financial Information.”

SUMMARY

Summary Consolidated Statements of Profit or Loss

The following table sets forth the consolidated statements of profit or loss with line items in an absolute amount and as a percentage of total revenue for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Revenue	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0
Cost of sales	(1,684,757)	(81.1)	(4,814,219)	(83.4)	(8,666,973)	(84.3)	(3,838,850)	(83.9)	(4,601,736)	(80.4)
Gross profit	392,940	18.9	957,172	16.6	1,613,101	15.7	736,801	16.1	1,123,378	19.6
Selling and distribution expenses	(46,255)	(2.2)	(92,743)	(1.6)	(183,834)	(1.8)	(67,790)	(1.5)	(83,913)	(1.5)
Administrative expenses	(85,495)	(4.1)	(125,757)	(2.2)	(187,895)	(1.8)	(55,239)	(1.2)	(140,941)	(2.5)
Other net income	18,927	0.9	53,977	0.9	87,994	0.9	28,741	0.6	21,996	0.4
Other expenses	(591)	(0.0)	(2,310)	(0.0)	(3,547)	(0.1)	(1,261)	(0.0)	(2,110)	(0.0)
Profit from operations	279,526	13.5	790,339	13.7	1,325,819	12.9	641,252	14.0	918,410	16.0
Finance costs	(2,402)	(0.1)	(5,581)	(0.1)	(29,134)	(0.3)	(9,142)	(0.2)	(22,383)	(0.4)
Changes in the carrying amount of liabilities recognized for preferential rights issued to investors	(65,172)	(3.1)	(659,600)	(11.4)	(797,150)	(7.8)	(528,267)	(11.5)	–	0.0
Profit before taxation	211,952	10.2	125,158	2.2	499,535	4.8	103,843	2.3	896,027	15.7
Income tax	(48,862)	(2.4)	(122,404)	(2.2)	(207,093)	(2.0)	(98,755)	(2.2)	(151,506)	(2.7)
Profit for the year/period	163,090	7.8	2,754	0.0	292,442	2.8	5,088	0.1	744,521	13.0
Attributable to:										
Equity shareholders of the Company	163,137	7.8	2,587	0.0	291,636	2.8	4,269	0.1	742,824	13.0
Non-controlling interests	(47)	(0.0)	167	0.0	806	0.0	819	0.0	1,697	0.0

Non-IFRS Measure

To supplement our consolidated financial statements that are presented in accordance with IFRSs, we use adjusted profit (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period. We believe that this measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of adjusted profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

SUMMARY

The following table sets out the adjusted profit for the year/period (non-IFRS measure) for each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, excluding changes in the carrying amount of liabilities recognized for preferential rights issued to investors:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Profit for the year	163,090	2,754	292,442	5,088	744,521
Less: changes in the carrying amount of liabilities recognized for preferential rights issues to investors ⁽¹⁾	(65,172)	(659,600)	(797,150)	(528,267)	–
Adjusted profit	228,262	662,354	1,089,592	533,355	744,521

Note:

- (1) We define adjusted profit for the year/period adjusted by deducting changes in the carrying amount of liabilities recognized for preferential rights issued to the investors from profit for the years. We eliminate the potential impacts of this item as it is a non-cash item in nature. Upon termination of the preferential rights on September 6, 2021, the Pre-IPO Investments have been converted into equity of the Company. After September 6, 2021, we do not have any financial instruments issued to investors, and we will no longer use this item to adjust our profit. For details, please also see Note 22 to the Accountants' Report set out in Appendix I to this Prospectus. For details on our Pre-IPO Investments, please also see "History, Development and Corporate Structure — Major Shareholding Changes of Our Group — Our Company — 3. Pre-IPO Investments and Shareholding Changes of Our Company" and "History, Development and Corporate Structure — Further Details of the Pre-IPO Investments."

Our profit for the year decreased from RMB163.1 million in 2019 to RMB2.8 million in 2020, primarily attributable to significant increase in changes in the carrying amount of liabilities recognized for preferential rights issues to investors in relation to our Pre-IPO Investments. Our profit for the year increased from RMB2.8 million in 2020 to RMB292.4 million in 2021, primarily because the financial instruments issued to investors have been converted into equity of the Company upon termination of the preferential rights on September 6, 2021, as well as our successful business operation. Our profit for the period increased significantly from RMB5.1 million in the five months ended May 31, 2021 to RMB744.5 million in the five months ended May 31, 2022, primarily because (i) the financial instruments issued to investors have been converted into equity of the Company as mentioned above and (ii) gross profit margin increased from 16.1% in the five months ended May 31, 2021 to 19.6% in the five months ended May 31, 2022.

SUMMARY

The table below sets forth revenue contribution by different distribution channels, each expressed as an absolute amount and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Terminal Wholesalers	1,062,530	51.1	3,040,493	52.7	5,479,191	53.3	2,338,885	51.1	3,268,135	57.1
Emerging Retailers	471,395	22.7	1,005,262	17.4	2,133,588	20.7	1,034,980	22.6	1,184,760	20.7
Supermarket Customers	399,286	19.2	1,072,737	18.6	1,455,368	14.2	637,897	13.9	661,488	11.5
Direct Sales	144,486	7.0	652,899	11.3	1,211,927	11.8	563,889	12.4	610,731	10.7
Total	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0

The table below sets forth sales volume and average selling price of our fruit products by distribution channels for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	(Kilograms)	(RMB per kilogram)	(Kilograms)	(RMB per kilogram)	(Kilograms)	(RMB per kilogram)	(Kilograms)	(RMB per kilogram)	(Kilograms)	(RMB per kilogram)
Terminal Wholesalers	75,417,425	14.1	231,882,427	13.1	546,118,002	10.0	217,539,788	10.8	367,496,700	8.9
Emerging Retailers	26,619,341	17.7	69,678,966	14.4	228,067,588	9.4	92,090,175	11.2	118,343,917	10.0
Supermarket Customers	29,302,072	13.6	75,601,703	14.2	127,904,452	11.4	51,103,187	12.5	64,812,866	10.2
Direct Sales	8,254,614	17.5	33,951,769	19.2	90,050,929	12.2	48,354,780	11.7	52,414,040	11.7
Total	139,593,452	14.9	411,114,865	14.0	1,001,140,971	10.3	409,087,930	11.2	603,067,524	9.5

We have recorded a general decrease in average selling price during the Track Record Period, mainly due to our competitive marketing and sales strategy since late 2020 to attract and retain quality customers and to leverage our advantages associated with cost-efficient logistics chain management, as well as scale of economies in line with our business expansion. In addition, such decrease was also attributed to the expansion of our fruit portfolio. In particular, as more and more customers recognized our fruit quality through buying core fruit products first, they would subsequently opt to purchase other types of fruits from us as well, consolidating their procurement and inventory management work. Those types of fruit generally carry lower selling price compared with that of our core fruit products.

SUMMARY

The table below sets forth a breakdown of revenue by geographical locations for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
East China	981,930	47.3	2,118,380	36.7	3,763,185	36.6	1,614,105	35.3	1,794,381	31.4
Southwest China	463,635	22.3	1,255,378	21.8	2,343,494	22.8	1,159,995	25.3	1,328,429	23.2
South Central China	291,059	14.0	1,341,258	23.2	2,343,429	22.8	935,143	20.4	1,510,256	26.4
Northwest China	113,154	5.4	390,051	6.8	923,838	9.0	395,848	8.7	530,975	9.3
North China	125,757	6.0	440,302	7.6	608,424	5.9	350,551	7.7	351,510	6.1
Northeast China	101,012	4.9	220,506	3.8	293,525	2.9	116,983	2.5	208,652	3.6
Thailand	1,150	0.1	5,516	0.1	3,590	0.0	2,685	0.1	456	0.0
Vietnam	–	0.0	–	0.0	589	0.0	341	0.0	455	0.0
Total	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0

During Track Record Period, our fresh fruits were mainly sold in East China and Southwest China, representing 69.6%, 58.5%, 59.4% and 54.6% of our total revenue, respectively. This was due to the stronger brand recognition and broad and loyal consumer base we established in East China, which resulted in higher sales of quality fruit products. Also, because our headquarter and principal place of business is located in Chongqing, we have more advantages in developing and penetrating surrounding market in Southwest China. We intend to continue to penetrate in East China and Southwest China and to explore markets in other areas at the same time.

The table below sets forth a breakdown of purchases of our core fruit products by geographical locations of suppliers' places of incorporation for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Thailand	405,199	37.3	1,665,928	60.1	2,344,389	56.4	1,228,545	56.7	1,010,806	58.5
Vietnam	93,446	8.6	209,870	7.6	335,611	8.1	228,678	10.5	46,767	2.7
China	587,337	54.1	895,559	32.3	1,476,404	35.5	711,268	32.8	669,011	38.8
Total	1,085,982	100.0	2,771,357	100.0	4,156,404	100.0	2,168,491	100.0	1,726,584	100.0

SUMMARY

The table below sets forth a breakdown of purchases of our other fruit products by geographical locations of suppliers' places of incorporation for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
China	546,780	95.0	1,587,673	94.5	3,943,918	96.5	1,662,165	96.0	2,640,959	98.1
Thailand	11,338	2.0	56,207	3.3	78,341	1.9	36,723	2.1	36,911	1.4
Vietnam	17,513	3.0	36,355	2.2	63,483	1.6	33,362	1.9	15,590	0.5
Total	575,631	100.0	1,680,235	100.0	4,085,742	100.0	1,732,250	100.0	2,693,460	100.0

During the Track Record Period, the percentage of purchases of our core fruit products from suppliers incorporated in Thailand amounted to 37.3%, 60.1%, 56.4% and 58.5%, respectively. Starting from 2017, we furthered and strengthened the initiatives of direct sourcing from places of origin in order to maintain a quality and stable supply, additionally proving to be cost advantageous for our products. The purchase of our core fruit products from Vietnam decreased from RMB228.7 million in the five months ended May 31, 2021 to RMB46.8 million in the five months ended May 31, 2022, primarily due to the decrease in the yield of dragon fruit, resulting in a decrease in the procurement and sales of such core fruit products.

The table below sets forth a breakdown of purchases by types of suppliers for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Orchard suppliers ⁽¹⁾	743,050	44.8	3,130,653	70.3	5,739,567	69.6	2,676,372	68.6	2,956,774	66.9
City suppliers ⁽²⁾	191,712	11.5	614,195	13.8	1,427,398	17.3	635,547	16.3	934,851	21.2
Import suppliers ⁽³⁾	219,468	13.2	444,183	10.0	889,633	10.8	485,337	12.4	421,570	9.5
Import agents ⁽⁴⁾	507,383	30.5	262,561	5.9	185,548	2.3	103,485	2.7	106,849	2.4
Total	1,661,613	100.0	4,451,592	100.0	8,242,146	100.0	3,900,741	100.0	4,420,044	100.0

Notes:

- (1) Orchard suppliers mainly represent fruit growing bases and orchards.
- (2) City suppliers mainly represent domestic fruit wholesale and trade companies.
- (3) Import suppliers mainly represent domestic trading companies from which we directly procure imported fruits.
- (4) Import agents mainly represent domestic trading companies that we entrust to act as our agents for procurement.

SUMMARY

During the Track Record Period, the percentage of purchases from orchard suppliers amounted to 44.8%, 70.3%, 69.6% and 66.9%, respectively, which was in line with our initiative of direct sourcing from places origin.

The table below sets forth revenue contribution of our top ten fruit products by categories in terms of revenue during the Track Record Period, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Core fruit products⁽¹⁾										
Durian	473,273	22.8	2,107,155	36.5	3,481,639	33.9	1,572,921	34.4	1,551,029	27.1
Dragon fruit	321,897	15.5	471,294	8.2	845,676	8.2	481,524	10.5	302,171	5.3
Cherry	200,797	9.7	225,795	3.9	324,776	3.1	267,855	5.8	358,495	6.3
Grapes	161,273	7.8	395,262	6.8	500,226	4.9	222,863	4.9	164,365	2.9
Longan	223,293	10.7	338,513	5.9	572,703	5.6	232,948	5.1	244,972	4.3
Mangosteen	175,466	8.4	403,803	7.0	185,470	1.8	36,434	0.8	52,216	0.8
Subtotal	1,555,999	74.9	3,941,822	68.3	5,910,490	57.5	2,814,545	61.5	2,673,248	46.7
Other fruit products										
Tangerine	151,333	7.3	459,675	8.0	1,616,065	15.7	731,721	16.0	1,489,616	26.0
Apple	67,282	3.2	349,762	6.0	679,466	6.6	373,515	8.2	388,346	6.8
Mango	50,970	2.4	169,645	2.9	221,489	2.2	96,403	2.1	40,482	0.7
Kiwi	36,847	1.8	107,922	1.9	215,218	2.1	62,498	1.4	146,413	2.6
Others ⁽²⁾	215,266	10.4	742,565	12.9	1,637,346	15.9	496,969	10.8	987,009	17.2
Subtotal	521,698	25.1	1,829,569	31.7	4,369,584	42.5	1,761,106	38.5	3,051,866	53.3
Total	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0

Notes:

- (1) We consider durian, mangosteen, longan, dragon fruit, cherry and grapes to be our six core fruit products and we have carried them under our self-owned brands. We develop these core products from categories that are highly recognizable in China with a large market size and a rapid growth rate. Please also see “Business — Our Fruit Products and Brands — Our Branded Fruit Products.”
- (2) Others primarily include pear, prunus, banana and pomegranate.

SUMMARY

The table below sets forth sales volume and average selling price of our fruit products by categories for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	(kilograms)	(RMB per kilogram)	(kilograms)	(RMB per kilogram)	(kilograms)	(RMB per kilogram)	(kilograms)	(RMB per kilogram)	(kilograms)	(RMB per kilogram)
Core fruit products										
Durian	13,837,367.1	34.2	54,969,370.2	38.3	93,774,182.0	37.1	38,910,126.2	40.4	31,311,790.1	49.5
Dragon fruit	36,420,859.8	8.8	55,352,677.8	8.5	110,326,391.1	7.7	57,324,080.7	8.4	35,325,573.6	8.6
Cherry	3,121,433.5	64.3	3,385,170.7	66.7	7,167,973.3	45.3	5,895,502.1	45.4	6,678,432.3	53.7
Grapes	7,196,313.3	22.4	19,920,584.8	19.8	32,228,288.0	15.5	11,783,951.4	18.9	10,535,950.8	15.6
Longan	16,500,953.5	13.5	25,332,345.3	13.4	52,001,663.6	11.0	20,853,043.1	11.2	21,438,492.7	11.4
Mangosteen	6,948,432.5	25.3	15,978,549.8	25.3	8,071,787.5	23.0	1,324,365.9	27.5	2,067,651.3	25.3
Other fruit products										
Tangerine	17,662,164.2	8.6	72,462,331.7	6.3	299,632,467.1	5.4	133,142,205.8	5.5	271,148,945.9	5.5
Apple	5,895,274.4	11.4	43,610,140.2	8.0	113,397,357.3	6.0	59,707,766.9	6.3	65,285,085.7	5.9
Mango	5,978,938.6	8.5	20,731,929.1	8.2	29,459,841.7	7.5	12,819,669.5	7.5	5,654,536.5	7.2
Kiwi	2,914,627.9	12.6	9,529,662.0	11.3	23,761,863.1	9.1	6,057,511.2	10.3	16,943,080.2	8.6
Others ⁽¹⁾	23,117,087.9	9.3	89,842,104.2	8.3	231,319,156.7	7.1	61,269,707.1	8.1	136,677,984.7	7.2
Total	139,593,452.7	14.9	411,114,865.8	14.0	1,001,140,971.5	10.3	409,087,929.8	11.2	603,067,523.8	9.5

Note:

(1) Others primarily include pear, prunus, banana and pomegranate.

SUMMARY

The table below sets forth a breakdown of gross profit and gross profit margin by categories for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit	Gross Profit Margin ⁽¹⁾
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Core fruit products										
Durian ⁽²⁾	99,562	21.0	398,521	18.9	721,660	20.7	344,553	21.9	483,495	31.2
Dragon fruit ⁽³⁾	61,702	19.2	76,910	16.3	97,321	11.5	59,737	12.4	45,406	15.0
Cherry ⁽⁴⁾	38,951	19.4	37,621	16.7	20,938	6.4	18,663	7.0	76,528	21.3
Grapes ⁽⁵⁾	28,445	17.6	60,381	15.3	70,600	14.1	28,780	12.9	28,303	17.2
Longan	45,249	20.3	61,453	18.2	98,493	17.2	44,655	19.2	54,514	22.3
Mangosteen	33,627	19.2	70,860	17.5	28,140	15.2	5,822	16.0	9,250	17.7
Subtotal	307,536	19.8	705,746	17.9	1,037,152	17.5	502,210	17.8	697,496	26.1
Other fruit products										
Tangerine ⁽⁶⁾	25,505	16.9	55,472	12.1	200,317	12.4	91,596	12.5	216,608	14.5
Apple	9,529	14.2	47,363	13.5	94,201	13.9	51,970	13.9	55,394	14.3
Mango	9,396	18.4	26,246	15.5	31,675	14.3	14,651	15.2	5,717	14.1
Kiwi	5,982	16.2	16,414	15.2	28,498	13.2	8,491	13.6	22,062	15.1
Others ⁽⁷⁾	34,992	16.3	105,931	14.3	221,258	13.5	67,883	13.7	126,101	12.8
Subtotal	85,404	16.4	251,426	13.7	575,949	13.2	234,591	13.3	425,882	14.0
Total	392,940	18.9	957,172	16.6	1,613,101	15.7	736,801	16.1	1,123,378	19.6

Notes:

- (1) Our gross profit margin increased from 16.1% in the five months ended May 31, 2021 to 19.6% in the five months ended May 31, 2022. In particular, the gross profit margin of most fruit products experienced an increase during the same period, primarily because we gradually phased out marketing events launched in September 2020, which was in line with our marketing strategy and in observation of our established market recognition and has led to the increase in the gross profit margin for our fruit products. In addition, many other fruit distributors in China were unable to supply sufficient fruit products in a timely manner due to the impact of COVID-19 in the five months ended May 31, 2022, while we took advantage of our end-to-end supply chain to ensure the stable supply of fruit products. In observation of strong market demand from customers for our fruit products as well as short supply of the market in the five months ended May 31, 2022, we adjusted and increased the gross profit margin of our fruit products. In particular, the gross profit margin of durian increased from 21.9% in the five months ended May 31, 2021 to 31.2% in the five months ended May 31, 2022, playing an important role in promoting our overall gross profit margin.
- (2) The gross profit margin of durian increased from 21.9% in the five months ended May 31, 2021 to 31.2% in the five months ended May 31, 2022. Because of the impact of COVID-19, logistics and customs clearance processes for fruit products imported from Thailand were drawn out and the inventory turnover of other durian distributors' products was slowed, thereby decreasing the overall

SUMMARY

procurement amount of durian and lowering its procurement price in Thailand in the five months ended May 31, 2022. During the same period, since the consumers' demand for durian remained robust, the overall decline in durian importation has led to an increase in the price of durian in China. However, leveraging our digitalized end-to-end supply chain, we were able to procure a larger amount of durian than other fruit distributors and effectively managed the import logistics by booking exclusive freighters or containers from the third-party logistics service provider, allowing us to closely monitor the measures we had taken to fulfill pandemic prevention requirements of the China customs. Such advantage distinguished us from most other fruit distributors, and our supply chain of durian from Thailand has not been significantly affected by the recurrence of COVID-19 in 2022 in China. As such, we were able to procure durian in Thailand at relatively lower prices and sell durian in China at relatively higher prices. Therefore, the gross profit margin of our durian has increased in the five months ended May 31, 2022. The logistics and customs clearance processes have gradually recovered from June 2022 since the recurrence of COVID-19 has been controlled, thus the procurement price in Thailand and the sales price in China of durian have gradually returned to a normal level.

- (3) The gross profit margin of dragon fruit decreased from 16.3% in 2020 to 11.5% in 2021, primarily due to the increasing use of land transportation for dragon fruit instead of sea transportation under the impact of COVID-19, leading to the increase in transportation cost and the decrease in its gross profit margin as transportation cost accounts for a relatively large portion of the cost of sales for dragon fruit. The gross profit margin of dragon fruit increased from 12.4% in the five months ended May 31, 2021 to 15.0% in the five months ended May 31, 2022, primarily because we gradually phased out marketing events launched in September 2020, which was in line with our marketing strategy and in observation of our established market recognition.
- (4) The gross profit margin of cherry decreased significantly from 16.7% in 2020 to 6.4% in 2021, primarily due to a sharp decrease in market demand as a result of the negative news in January 2021 stating that certain batches of cherry imported into China were tested positive for COVID-19. The gross profit margin of cherry increased from 7.0% in the five months ended May 31, 2021 to 21.3% in the five months ended May 31, 2022 since the aforementioned incident has been effectively controlled, and the price of cherry has gradually returned to a normal level.
- (5) The gross profit margin of grapes increased from 12.9% in the five months ended May 31, 2021 to 17.2% in the five months ended May 31, 2022, primarily because we gradually phased out marketing events launched in September 2020, which was in line with our marketing strategy and in observation of our established market recognition.
- (6) The gross profit margin of tangerine decreased from 16.9% in 2019 to 12.1% in 2020, primarily because in 2020, we increased sales of domestic tangerine which carries a relatively lower gross profit margin than that of imported tangerine, resulting in the decrease in the gross profit margin of tangerine from 2019 to 2020.
- (7) Others primarily include pear, prunus, banana and pomegranate.

SUMMARY

The table below sets forth a breakdown of gross profit and gross profit margin by distribution channels for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Terminal										
Wholesalers	206,917	19.5	518,096	17.0	907,931	16.6	409,893	17.5	622,440	19.0
Emerging Retailers	89,032	18.9	148,961	14.8	293,872	13.8	155,893	15.1	226,353	19.1
Supermarket										
Customers	70,164	17.6	168,052	15.7	204,103	14.0	96,275	15.1	127,761	19.3
Direct Sales	26,827	18.6	122,063	18.7	207,195	17.1	74,740	13.3	146,824	24.0
Total	392,940	18.9	957,172	16.6	1,613,101	15.7	736,801	16.1	1,123,378	19.6

Summary Consolidated Statements of Financial Position

The following table sets forth the breakdown of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of May 31,	As of June 30,
	2019	2020	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Current Assets					
Inventories	72,286	99,287	224,602	325,097	217,227
Trade and other receivables	1,383,942	2,929,103	5,133,722	7,006,969	7,277,549
Financial assets measured at fair value through profit or loss	260,551	162,729	10,000	-	-
Cash and cash equivalents	175,944	376,153	239,534	68,977	389,049
Total current assets	1,892,723	3,567,272	5,607,858	7,401,043	7,883,825
Current Liabilities					
Trade and other payables	87,870	151,638	325,411	608,575	671,313
Bank loans and other borrowings	1,000	67,002	874,650	1,576,218	1,860,215
Lease liabilities	4,098	6,539	19,252	19,336	20,598
Financial instruments issued to investors	1,827,004	3,327,908	-	-	-
Taxation payable	48,956	69,646	92,131	161,503	195,252
Total current liabilities	1,968,928	3,622,733	1,311,444	2,365,632	2,747,378
Net current (liabilities)/assets	(76,205)	(55,461)	4,296,414	5,035,411	5,136,447

SUMMARY

We recorded net current liabilities of RMB76.2 million and RMB55.5 million as of December 31, 2019 and 2020, respectively, because we recognized the financial instruments issued to investors as financial liabilities, since these financial instruments did not meet the definition of equity for the Company. Our financial instruments issued to investors amounted to RMB1,827.0 million and RMB3,327.9 million as of December 31, 2019 and 2020, respectively.

Our net current assets increased from RMB5,035.4 million as of May 31, 2022 to RMB5,136.4 million as of June 30, 2022, primarily due to the increase in cash and cash equivalents.

Our net current assets increased from RMB4,296.4 million as of December 31, 2021 to RMB5,035.4 million as of May 31, 2022, primarily due to the increase in trade and other receivables. Our net current liabilities was RMB55.5 million as of December 31, 2020, and turned to net current assets of RMB4,296.4 million as of December 31, 2021, primarily because the financial instruments issued to investors have been converted into equity of the Company upon termination of the preferential rights on September 6, 2021. Our net current liabilities decreased from RMB76.2 million as of December 31, 2019 to RMB55.5 million as of December 31, 2020, primarily due to increase in our trade and other receivables. Such increase was partially offset by the increase in financial instruments issued to investors, the increase in trade and other payables and the increase in bank loans and other borrowings.

For details, please see “Financial Information — Net Current Assets/Liabilities.”

The following table sets forth the breakdown of our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	63,140	76,865	81,275	82,005
Right-of-use assets	15,895	19,501	58,698	62,420
Intangible assets	207	107	33	30
Other non-current assets	457	1,183	808	2,007
Deferred tax assets	3,182	5,881	7,444	19,181
Total non-current assets	82,881	103,537	148,258	165,643
Non-current liabilities				
Bank loans and other borrowings	–	40,074	–	–
Lease liabilities	3,839	5,314	34,634	38,561
Other non-current liabilities	623	330	375	420
Total non-current liabilities	4,462	45,718	35,009	38,981
Net assets	2,214	2,358	4,409,663	5,162,073
Non-controlling interests	2,214	2,358	3,110	4,837

SUMMARY

Our net assets increased from RMB2.2 million as of December 31, 2019 to RMB2.4 million as of December 31, 2020, primarily attributable to the increase of RMB0.2 million in non-controlling interests. Our net assets increased from RMB2.4 million as of December 31, 2020 to RMB4,409.7 million as of December 31, 2021, primarily representing reclassification of financial liabilities recognized for preferential rights issued to investors to equity of RMB4,125.1 million. Our net assets further increased from RMB4,409.7 million as of December 31, 2021 to RMB5,162.1 million as of May 31, 2022, primarily representing our profit for the year/period of RMB742.8 million.

Cash Flow Analysis

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Operating cash flows before movements in working capital	292,561	816,428	1,386,193	1,040,031
Changes in working capital:				
Increase in inventories	(56,664)	(27,001)	(125,315)	(100,495)
Increase in trade and other receivables	(643,797)	(1,552,894)	(2,230,721)	(1,930,667)
(Decrease)/increase in trade and other payables	(11,383)	63,768	173,773	283,164
Corporate Income Tax paid	(30,486)	(104,668)	(185,551)	(93,871)
Net cash used in operating activities	(449,769)	(804,367)	(981,621)	(801,838)
Net cash (used in)/generated from investing activities	(157,275)	73,379	128,932	5,061
Net cash generated from financing activities	611,422	932,852	720,885	625,256
Net increase/(decrease) in cash and cash equivalent	4,378	201,864	(131,804)	(171,521)
Cash and cash equivalent at January 1	168,898	175,944	376,153	239,534
Cash and cash equivalent at December 31/May 31	175,944	376,153	239,534	68,977
Impact of exchange rate changes on cash and cash equivalents	2,668	(1,655)	(4,815)	964

Our net operating cash outflows during the Track Record Period was primarily attributed to two reasons. On one hand, we expected that the sales of our six core fruit products would experience rapid growth in recent years and therefore captured the market opportunity by laying out our deep penetration into upstream places of origin and downstream sales and distribution network. By continuously investing in our end-to-end operating model across the supply chain, we carried out direct procurement of fruit products from places of origin and continuously expanded sales and distribution network to build up a competitive barrier. Since the credit period is generally short for upstream suppliers and long for downstream clients, we experienced net operating cash outflows due to the rapid growth of our revenue during the Track Record Period, which was our strategic business strategy based on the needs of our business development.

SUMMARY

On the other hand, during the Track Record Period, we achieved rapid growth in revenue and gross profit, resulting in the rapid increase in trade receivables of our downstream clients. Therefore, the change of working capital exceeded the scale of our profit, leading to our negative operating cash outflows. However, our operating cash outflows will gradually return to cash inflows as our profit scale expands and revenue growth rate slows down.

We expect to achieve cash inflows from operating activities in foreseeable future by taking the following measures.

First, by continuously expanding our market share and strengthening brand recognition, we will gradually extend credit period with upstream suppliers and shorten credit period with downstream clients, thus improving our cash flow.

Second, our net operating cash outflow mainly results from the changes in working capital, and net cash outflow caused by the changes in working capital was RMB711.8 million, RMB1,516.1 million, RMB2,182.2 million and RMB1,748.0 million in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, accounting for 34.3%, 26.3%, 21.1% and 30.5%, respectively, of our revenue during the same year, showing a continuous downward trend. The relatively high proportion in the five months ended May 31, 2022 was primarily due to our increased trade receivables and inventories of fruit products because May has historically been the peak sales season for our core fruit products like durian. With the expansion of our revenue scale, we expect that the revenue growth rate will become slower, which will reduce the changes of working capital while increasing our profit. The cash inflow corresponding to the profit will gradually exceed the cash outflow caused by the changes of working capital, thus generating positive operating cash flow.

Third, we would continuously enhance supervision and management of the collection of our trade receivables. As of the Latest Practicable Date, RMB2,159.1 million, or 35.8% of our trade receivables as of May 31, 2022 had been subsequently collected. As of the Latest Practicable Date, RMB3,142.7 million, or 83.5% of our trade receivables as of December 31, 2021 had been subsequently collected. As of the Latest Practicable Date, RMB3,342.1 million, or 95.5% of our trade receivables as of September 30, 2021 had been subsequently collected. As of the Latest Practicable Date, RMB3,318.3 million, or 98.1% of our trade receivables as of June 30, 2021 had been subsequently collected. In February 2022, we established a management team responsible for the management of credit period and credit amount as well as regular and prudent tracking and evaluation of the collection of trade receivables. In addition, we revised our internal policy to strengthen management of trade receivables, requiring that (i) the approval procedure of each customer's credit period and credit amount shall be strengthened; (ii) credit period shall be further shortened and credit period for contracts with new customers and renewed contracts with existing customers shall not exceed 90 days generally; and (iii) we would conduct regular investigation of overdue customers and terminate contractual relationship with overdue customers with underperformance or relatively high credit risks.

SUMMARY

Fourth, we held a formal management meeting in March 2022 to review our cash flow condition and discuss feasible plans we could implement, targeting to shorten the turnover days of trade receivables, prepayments and inventories in 2022, thus improving our net operating cash outflow.

Key Financial Ratios

The following table sets out our key financial ratios for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Gross profit margin ⁽¹⁾	18.9%	16.6%	15.7%	19.6%
Adjusted profit margin (non-IFRS measure) ⁽²⁾	11.0%	11.5%	10.6%	13.0%

Notes:

- (1) Gross profit margin equals gross profit divided by revenue for the periods and multiplied by 100%.
- (2) Adjusted profit margin (non-IFRS measure) equals adjusted profit (non-IFRS measure) divided by revenue for the periods and multiplied by 100%.

The following table sets out our key financial ratios as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
Current ratio ⁽¹⁾	13.3	12.1	4.3	3.1
Gearing ratio ⁽²⁾	(79.0)	(114.1)	0.1	0.3

Notes:

- (1) Current ratio equals current assets divided by current liabilities excluding the financial instruments issued to investors as of the same date and multiplied by 100% for the periods.
- (2) Gearing ratio equals total interest-bearing borrowings minus cash divided by total equity as of the end of the relevant periods and multiplied by 100%.

OUR CONTROLLING SHAREHOLDERS

Mr. Deng, Ms. Jiang, Mr. Deng Haoji, Ms. Deng Haoyu, Chongqing Heli and Chongqing Hezhong were together entitled to exercise approximately 46.06% of the voting rights in our Company as of the Latest Practicable Date and therefore, constitute the Controlling Shareholders Group.

SUMMARY

As of the Latest Practicable Date, Mr. Deng, the chairman of our Board and an executive Director, was interested in and entitled to control approximately 30.63% of the voting rights in our Company through (i) 125,925,916 Domestic Shares beneficially owned by Mr. Deng, representing approximately 27.79% of the total share capital of our Company; and (ii) a total of 12,838,350 Domestic Shares through the Employee Incentive Platforms (namely, Chongqing Heli and Chongqing Hezhong) in the capacity of sole general partner of each of the Employee Incentive Platforms, representing approximately 2.83% of the total share capital of our Company. In addition, Mr. Deng was beneficially interested in approximately 25.06% and 8.44% of the limited partnership interests in Chongqing Heli and Chongqing Hezhong, respectively. Furthermore, Ms. Jiang (an executive Director and the spouse of Mr. Deng) beneficially owned 42,726,650 Domestic Shares, representing approximately 9.43% of the total share capital of our Company. Each of Mr. Deng Haoji (the son of Mr. Deng and Ms. Jiang) and Ms. Deng Haoyu (the daughter of Mr. Deng and Ms. Jiang) beneficially owned 13,592,217 Domestic Shares, together representing approximately 6.00% of the total share capital of our Company as of the Latest Practicable Date. Pursuant to the Entrustment Agreement entered into among Mr. Deng, Mr. Deng Haoji and Ms. Deng Haoyu, the respective voting rights attached to the Shares held by Mr. Deng Haoji and Ms. Deng Haoyu, representing collectively approximately 6.00% of the total share capital of our Company as of the Latest Practicable Date, have been entrusted to Mr. Deng solely and exclusively since the date when Mr. Deng Haoji and Ms. Deng Haoyu acquired equity interest in the Company from Mr. Deng in October 2020.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the Controlling Shareholders Group will be able to exercise in aggregate approximately 44.68% interest in our Company and will therefore, remain as a group of our Controlling Shareholders pursuant to the Listing Rules. See the section headed “Relationship with Our Controlling Shareholders” for further details.

PRE-IPO INVESTMENTS

We have conducted several rounds of Pre-IPO Investments. See the section headed “History, Development and Corporate Structure — Major Shareholding Changes of Our Group — Our Company — 3. Pre-IPO Investments and Shareholding Changes of Our Company” for details of our Pre-IPO Investments.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, incentive fees, professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative Offer Price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately HK\$65.8 million, representing 10.2% of the gross proceeds from the Global Offering. The estimated total listing expenses consist of (i) underwriting commission of approximately HK\$16.1 million, and (ii) non-underwriting related expenses of approximately

SUMMARY

HK\$49.7 million, which consist of fees and expenses of legal advisers and reporting accountants of approximately HK\$37.3 million and other fees and expenses of approximately HK\$12.4 million. During the Track Record Period, we incurred listing expenses of RMB24.1 million, which have been charged to our consolidated statement of comprehensive income. We expect to incur additional listing expenses of approximately RMB18.7 million which are expected to be charged to our consolidated statements of comprehensive income subsequent to Track Record Period and approximately HK\$16.2 million will be accounted for as a deduction from equity upon the completion of the Global Offering. Our Directors do not expect such estimated expenses to have significant changes or will have a material and adverse impact on our financial results.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 14,012,500 H Shares are newly issued in the Global Offering, (ii) the Over-allotment Option for the Global Offering is not exercised, and (iii) 467,086,402 Shares are issued and outstanding following the completion of the Global Offering:

	<u>Based on an Offer Price of HK\$40.00 per H Share</u>	<u>Based on an Offer Price of HK\$52.00 per H Share</u>
Market capitalization of the Shares following the completion of the Global Offering ⁽¹⁾	HK\$18,683 million	HK\$24,288 million
Unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company per Share ⁽²⁾	HK\$13.89	HK\$14.25

Notes:

- (1) The calculation of market capitalization is based on 467,086,402 Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised.
- (2) The unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company per Share was calculated after adjustments as specified in “Appendix II — Unaudited Pro Forma Financial Information”. The unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company is converted into Hong Kong dollars at the exchange rate of RMB1.00 to HK\$1.15686, the exchange rate set by PBOC prevailing on August 18, 2022. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$578.8 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised, assuming an Offer Price of HK\$46.00 per H Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus). We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 45%, or approximately HK\$260.5 million, will be used for the improvement of our fruit supply chain, including the expansion of our upstream procurement network and penetration as well as our sales and distribution network, and the strengthening of our logistics and warehousing management capability;
- approximately 22%, or approximately HK\$127.3 million, will be used for fruit brand building and product promotion, including sales activities that promote online and offline fruit sales, brand advertising, and the incubation of new brands;
- approximately 16%, or approximately HK\$92.6 million, will be used for digital system upgrade and global fruit industry internet platform development, including the enhancement of our *HJ Star Bridge* (洪九星橋) system and the development of an internet platform for the fruit industry;
- approximately 7%, or approximately HK\$40.5 million, will be used for repayment of bank loans that have been used for fruit procurement and the expansion of our sales and distribution network; and
- approximately 10%, or approximately HK\$57.9 million, will be used for replenishing working capital needs and other general corporate purposes.

See “Future Plans and Use of Proceeds” for further details.

DIVIDEND AND DIVIDEND POLICY

Our Board is responsible for submitting proposals in respect of dividend payments, if any, to our Shareholders for approval at general meetings. A decision to declare any dividends and the amount of such dividends depend on various factors, including our results of operation, cash flows, financial condition, future business prospects, statutory and contractual restrictions on the payment of dividends by us and other factors that our Board considers relevant. Save as otherwise disclosed in this Prospectus, no dividend has been paid or declared on a regular basis by our Company since its incorporation and up to the end of the Track Record Period. Our Company does not have a fixed dividend payout ratio. Any declaration and payment as well as

SUMMARY

the amount of dividends will be subject to our constitutional documents and the relevant laws. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and industry, (ii) risks relating to doing business in China, and (iii) risks relating to the Global Offering. For example, our business depends significantly on market recognition of our “洪九” and other trademarks and brand names, and any damage to our trademarks, brand names or reputation, or any failure to effectively promote our brands, could materially and adversely impact our business and results of operations; extreme weather conditions, natural disasters, crop diseases, pests and other natural conditions may create substantial volatility for our business and results of operations; any failure to maintain food safety and consistent quality could have a material and adverse effect on our brands, business and financial performance; we may not be able to continue to expand our product offerings or successfully establish brand portfolio; our business is subject to changes in consumer demand, preferences and spending patterns; the prices of our fruit products may fluctuate subject to various factors. For details of the risk factors relating to an investment in our Shares, please see “Risk Factors.”

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and benefiting from the continuous implementation of our development strategies, our business operations remained stable and continued to grow steadily.

Our Directors confirm that, as of the date of this listing document, as far as they are aware, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since May 31, 2022, the end of the period reported in the Accountants’ Report set out in Appendix I to this Prospectus, up to the Latest Practicable Date.

EFFECTS OF THE COVID-19 OUTBREAK

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, countries and regions across the world, including China, imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

According to CIC, the COVID-19 outbreak had impacted China’s fresh fruit retail industry in general. To varying degrees, it disrupted the normal operation of fresh fruit retail channels due to a number of restrictions such as limited hours of operation and full-store shutdowns. Partially affected by the outbreak of COVID-19, the growth of China’s fresh fruit

SUMMARY

retail industry market decreased slightly in 2020. On the other hand, COVID-19 outbreak had transformed consumer habits in China, as many people turned to online activities in lieu of physical gatherings, causing a surge in demand for online and community-based services. As a result, emerging retail channel as a percentage of the total retail consumption value of fresh fruit retail industry increased from approximately 15.1% in 2019 to approximately 30.5% in 2021, according to CIC, which also affected fruit distribution market.

Despite the effects of the COVID-19 outbreak on the general economy and the industry, we achieved a year-on-year revenue growth of 177.8% in 2020 from 2019, which is largely due to increased market demand for our fruit products and our prompt response to the COVID-19 outbreak. In particular, the early stage of COVID-19 resulted in a situation where local residents' demands for fruits were unsatisfied, which brought new opportunities for us to expand our sales to emerging retailers. For instance, since the outbreak of COVID-19, community group buying, through allowing consumers in a single community to order in bulk at discounted prices, has become an ideal and convenient option for fruit consumers in China, according to CIC. To seize this opportunity, we proactively collaborated with additional community group buying customers. Leveraging our end-to-end supply chain that provides a stable and reliable source of quality fresh fruits even during the pandemic without stockout, our sales to community group buying customers witnessed significant growth since the fourth quarter of 2020. Revenue generated from community group buying increased by 1,277.5% from RMB39.5 million in 2020 to RMB544.1 million in 2021. Having said that, sales growth attributable to emerging retailers was lower than that attributable to other channels during COVID-19, primarily because emerging retailers are a new market sector in their infancy. Given the highly competitive nature of the fruit market, our expansion in this area is hampered by intrinsic obstacles. Revenue generated from community group buying decreased slightly by 0.9% from RMB261.4 million in the five months ended May 31, 2021 to RMB259.0 million in the five months ended May 31, 2022. On the other hand, terminal wholesalers, supermarkets, and direct sales continue to represent a sizable market for our fruit products. As a result, as evidenced by the number of customers served during the Track Record Period, we invested in increasing sales in these distribution channels as well, leading to a gradual and ever-increasing share of wallet in the fresh fruit industry. Thus, during the pandemic, our revenue increased significantly with an expansion of all distribution channels. In addition, we implemented precautionary measures in the early stages of the COVID-19 outbreak and adopted stringent standards in cleaning and disinfecting our offices.

Since the beginning of 2022, another wave of COVID-19 variants broke out in China, which caused surging numbers of COVID-19 cases in certain cities, such as Shenzhen, Guangzhou, Shanghai and Beijing, where relevant local governments have taken certain lock-down and other restrictive measures to prevent the further spread of COVID-19. In particular, local authorities in Shanghai have imposed strict lock-down measures since March 2022. As a result, our operations in Shanghai, particularly operations of our points of sale in the wholesale markets, have been ceased temporarily, with 15 employees being quarantined since March 2022 in accordance with the local instructions. In addition, our fruit sales in terms of sales revenue in Shanghai decreased by approximately 80.8% and 81.6%, respectively, in March and April, 2022, compared to the same periods in 2021. We believe that this new wave of COVID-19 variants has not had material adverse impact on our operations, primarily

SUMMARY

because we sell fruit to customers across China without significant reliance on regional operations. In particular, the revenue generated from Shanghai accounted for 2.4% and 0.3% of our total revenue in 2021 and the two months ended April 30, 2022, respectively. As of the Latest Practicable Date, except for the sales in Shanghai, our business operations have not experienced any material or adverse interruption due to the recent COVID-19 outbreak. As of the date of this Prospectus, since the lock-down restrictions in Shanghai have been gradually lifted, our points of sale in Shanghai's wholesale markets have resumed normal operations, and our employees have returned to work. We believe that the resurgence of COVID-19 does not materially affect our overall business operation and financial position.

Notwithstanding the above, our supply of fruits has not experienced a material adverse impact, while our sales in regions without experiencing lock-down are expected to continue increasing. We are of the view that, based on the limited impact of the recent COVID-19 variant outbreak, the strong resilience of China's economy, and the expected continued growth in public demand for fruits, as well as our established market position in the fruit industry, the recent COVID-19 variant outbreak has not materially or adversely affected our overall operational and financial positions. See "Risk Factors — Risks Relating to Our Business and Industry — Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC, including the COVID-19 outbreak, may materially and adversely affect our business, financial condition and results of operations."

As of the Latest Practicable Date, COVID-19 has not had any material adverse impact on our operations. In particular, we had not encountered any material disruption to our end-to-end supply chain. It is noted that the outbreak of COVID-19 has created challenges for the global supply chain, significantly impacted suppliers' shipping capabilities, and resulted in major delays in the supply of raw materials across industries. However, governments across the world have been reducing the potential spread and impact of infection, thereby facilitating the global supply chain to gradually recover. Meanwhile, we have responded agilely and effectively to potential disruptions by leveraging our strong data and analytical skills for analyzing complexity, anticipating potential disruptions and rapidly devising a reaction.

Given fruit is a necessity for people's daily dietary, the market demand has gradually resumed to normal along with the recovery of domestic economic activities. Our business operations had not been materially interrupted by COVID-19. We do not expect COVID-19 would have materially adverse effect to our business.

The actual impact caused by the COVID-19 outbreak will depend on its subsequent development. Our Directors will continue to assess the impacts of COVID-19 on the business and financial performance of our Group and will closely monitor the risks and uncertainties arising thereof.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this Prospectus.

“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this Prospectus
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Alibaba”	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands with limited liability on June 28, 1999
“Articles” or “Articles of Association”	the articles of association of our Company adopted on September 6, 2021 with effect from the Listing Date, as amended from time to time, a summary of which is set out in Appendix IV to this Prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “the PRC” or the “People’s Republic of China”	the People’s Republic of China, and for the purposes of this Prospectus only and except where the context requires otherwise, excluding Hong Kong, Macao Special Administrative Region and Taiwan
“China Insights Industry Consultancy Limited” or “CIC” or “Industry Consultant”	China Insights Industry Consultancy Limited, our industry consultant

DEFINITIONS

“Chongqing Heli”	Chongqing Heli Hongjiu Commerce Center (Limited Partnership) (重慶合利洪九商貿中心(有限合夥)), a limited partnership established under the laws of PRC on March 10, 2017 and one of our Controlling Shareholders
“Chongqing Hezhong”	Chongqing Hezhong Hongjiu Commerce Center (Limited Partnership) (重慶合眾洪九商貿中心(有限合夥)), a limited partnership established under the laws of PRC on March 10, 2017 and one of our Controlling Shareholders
“CIC Report” or “Industry Report”	the industry report issued by China Insights Industry Consultancy Limited, our industry consultant
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”, “our Company”, “the Company” or “Hongjiu”	Chongqing Hongjiu Fruit Co., Limited (重慶洪九果品股份有限公司), a limited liability company incorporated in the PRC on October 12, 2002 and converted into a joint stock limited company incorporated in the PRC on April 26, 2013, whose predecessor was Chongqing Hongjiu Fruit Company Limited (重慶洪九果品有限公司)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company Law” or “PRC Company Law”	Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Controlling Shareholder(s)” or “Controlling Shareholders Group”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Deng, Ms. Jiang, Mr. Deng Haoji, Ms. Deng Haoyu, Chongqing Heli and Chongqing Hezhong, as further detailed in the section headed “Relationship with Our Controlling Shareholders” in this Prospectus
“Conversion of Domestic Shares into H Shares”	the conversion of 296,516,495 Domestic Shares in aggregate into H Shares on a one-for-one basis upon the completion of the Global Offering. Such conversion of Domestic Shares into H Shares has been approved by the CSRC on January 13, 2022 and an application for H Shares to be listed on the Stock Exchange has been made to the Listing Committee
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSDC (Hong Kong)”	China Securities Depository and Clearing (Hong Kong) Company Limited
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the national securities market in China
“CSTC”	Chongqing Share Transfer Center (重慶股份轉讓中心)
“Dingdong”	Dingdong (Cayman) Limited (叮咚買菜), an on-demand e-commerce platform which offers a wide range of products including fresh groceries and other daily necessities
“Director(s)” or “our Directors”	the director(s) of our Company
“Domestic Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by domestic investors
“Duoduo Maicai”	an e-commerce platform owned by Pinduoduo

DEFINITIONS

“East China”	a geographical region of China, mainly consisting Shanghai, Jiangsu Province, Anhui Province, Zhejiang Province, Fujian Province, Jiangxi Province and Shandong Province.
“EIT”	the PRC enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), enacted on March 16, 2007, effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018 by the NPC, as amended, supplemented or otherwise modified from time to time
“Employee Incentive Platforms”	collectively, Chongqing Heli and Chongqing Hezhong
“Entrustment Agreement”	the agreement entered into among Mr. Deng, Mr. Deng Haoji (鄧浩吉) and Ms. Deng Haoyu (鄧浩宇), pursuant to which the respective voting rights attached to the Shares held by Mr. Deng Haoji and Ms. Deng Haoyu have been entrusted to Mr. Deng solely and exclusively since the respective acquisition of Shares by Mr. Deng Haoji and Ms. Deng Haoyu in October 2020
“Extreme Conditions”	extreme conditions caused by a super typhoon, etc. as announced by the Government of Hong Kong
“Fenghui Entities”	collectively, Zhenjiang Fenghui Joint Investment Fund Management Center (Limited Partnership) (鎮江豐會聯合投資基金管理中心(有限合夥)), Zhenjiang Fenghui Hongjiu Investment Fund Management Center (Limited Partnership) (鎮江豐會洪九投資基金管理中心(有限合夥)), Zhenjiang Fenghui Lianhe Yihao Investment Fund Management Center (Limited Partnership) (鎮江豐會聯合壹號投資基金管理中心(有限合夥)) and Gongqingcheng Fengsheng Yihao Investment Center (Limited Partnership) (共青城豐盛壹號投資中心(有限合夥))
“FRC”	Financial Reporting Council (財務匯報局)
“Full-circulation Guidelines”	Guidelines on Application for Full-circulation of Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請“全流通”業務指引》) issued by the CSRC on November 14, 2019

DEFINITIONS

“Global Offering”	the Hong Kong Public Offering and the International Offering
“ GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “the Group”, “we”, “us” or “our”	our Company and its subsidiaries or, where the context so requires, in respect of the period prior to our Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Hema Fresh”	an omni-channel retail platform owned by Alibaba
“H Share(s)”	overseas listed foreign Shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be traded in Hong Kong dollars and are to be listed on the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules” or “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
“Hong Kong Offer Shares”	the 1,401,400 H Shares being initially offered by our Company for subscription in the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Global Offering” in this Prospectus

DEFINITIONS

“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%) on and subject to the terms and conditions stated in this Prospectus and the GREEN Application Form, as further described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this Prospectus
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting — Hong Kong Underwriters” in this Prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement, dated August 23, 2022, relating to the Hong Kong Public Offering and entered into by, among others, our Company, our Controlling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this Prospectus
“IFRSs”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party” or “Independent Third Parties”	any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Listing Rules
“International Offer Shares”	the 12,611,100 H Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to adjustments as described in the section headed “Structure of the Global Offering” in this Prospectus

DEFINITIONS

“International Offering”	the conditional placing of the International Offer Shares at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%) outside the United States in offshore transactions in accordance with Regulation S, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed “Structure of the Global Offering” in this Prospectus
“International Underwriters”	the underwriters of the International Offering, led by the Joint Global Coordinators, that are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and to be entered into by, among others, our Company, our Controlling Shareholders, the Joint Global Coordinators and the International Underwriters on or about Monday, August 29, 2022, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The International Offering” in this Prospectus
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” of this Prospectus
“Joint Global Coordinators”	the joint global coordinators as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” of this Prospectus
“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” of this Prospectus
“Latest Practicable Date”	August 18, 2022, being the latest practicable date for the purpose of ascertaining certain information in this Prospectus prior to its publication
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange

DEFINITIONS

“Listing Date”	the date, expected to be on or about Monday, September 5, 2022, on which the H Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
“Loan Incident”	the loan incident as referred to in “Directors, Supervisors and Senior Management — Further Information in Relation to the Directors — Loan Incident” in this Prospectus
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including in Hong Kong), promulgated by the former State Council Securities Committee and the former State Commission for Restructuring the Economic System of the PRC on September 29, 1994, as amended, supplemented or otherwise modified from time to time
“Meituan”	Meituan Dianping (美團點評), a company incorporated in the Cayman Islands with limited liability
“Meituan Select”	an e-commerce platform owned by Meituan
“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. Deng”	Mr. Deng Hongjiu (鄧洪九), the chairman of our Board, our executive Director, spouse of Ms. Jiang and one of our Controlling Shareholders
“Ms. Jiang”	Ms. Jiang Zongying (江宗英), our executive Director, general manager, spouse of Mr. Deng and one of our Controlling Shareholders

DEFINITIONS

“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Board
“North China”	a geographical region of China, mainly consisting Beijing, Tianjin, Shanxi Province, Inner Mongolia Autonomous Region and Hebei Province
“Northeast China”	a geographical region of China, mainly consisting Heilongjiang Province, Jilin Province and Liaoning Province.
“Northwest China”	a geographical region of China, mainly consisting Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Shaanxi Province, Gansu Province and Qinghai Province.
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%), at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which our Company may be required to issue additional Shares to the International Underwriters to cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering — The International Offering — Over-allotment Option” in this Prospectus

DEFINITIONS

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Pinduoduo”	pinduoduo.com (拼多多), an e-commerce platform that provides buyers with value-for-money merchandise and interactive shopping experience
“PRC Government” or “State”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	Zhong Lun Law Firm, the PRC legal advisers of our Company
“Pre-IPO Investment(s)”	the investment(s) in our Company undertaken by the Pre-IPO Investor(s) prior to the Listing, the details of which are set out in the section headed “History, Development and Corporate Structure” in this Prospectus
“Pre-IPO Investor(s)”	the investor(s) who acquired interest in our Company pursuant to the respective Pre-IPO Investment(s), details of which are set out in the section headed “History, Development and Corporate Structure” in this Prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Monday, August 29, 2022 and in any event no later than Tuesday, August 30, 2022, on which the Offer Price is to be fixed by an agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) for the purposes of the Global Offering
“Prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Province” or “province”	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC Government

DEFINITIONS

“Qiandama”	a company that operates community grocery stores and provides with consumers with, among others, meat, vegetables, fruits and seafood in China
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the NPC
“Securities Law” or “PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
“Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“Shenzhen-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen

DEFINITIONS

“Sole Sponsor”	China International Capital Corporation Hong Kong Securities Limited
“South Central China”	a geographical region of China, consisting Henan Province, Hubei Province, Hunan Province, Hainan Province, Guangdong Province and Guangxi Zhuang Autonomous Region
“South West China”	a geographical region of China, mainly consisting Chongqing, Sichuan Province, Guizhou Province, Tibet Autonomous Region and Yunnan Province.
“Southeast Asia”	a region of Asia, consisting of a number of countries and regions, such as south of China, east of India, west of New Guinea and north of Australia.
“Special Regulations”	the Special Regulations of the State Council on Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of our Company
“Supervisory Committee”	supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Taobao”	taobao.com (淘寶網), one of the largest online retail platforms in Asia Pacific, headquartered in Hangzhou and owned by Alibaba

DEFINITIONS

“THB”	Thai Baht, the lawful currency of Thailand
“Track Record Period”	three years ended December 31, 2019, 2020 and 2021 and five months ended May 31, 2022
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States”, “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“VAT”	the PRC value-added tax
“ White Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

Unless the content otherwise requires, references to “2019”, “2020” and “2021” in this Prospectus refer to our financial year ended December 31 of such year.

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. The English translation of PRC entities, enterprises, nationals, facilities and regulations in Chinese or another language in this Prospectus is for identification purposes only. To the extent that there is any inconsistency between the Chinese names of PRC entities, enterprises, nationals, facilities and regulations and their English translations, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this Prospectus in connection with our Company and our business. Some of these terms and their meanings may not correspond to standard industry meanings or usage of such terms.

“AI”	a technical science that studies and develops theories, methods, techniques and application systems for simulating, extending and expanding human intelligence
“APPs”	applications on smart mobile devices
“anthocyanin”	a kind of water-soluble natural pigments widely found in plants in nature, most of the main coloring substances in fruits, vegetables and flowers are related to them
“branded fresh fruit”	for the purposes of this Prospectus, means fresh fruit with a brand name
“branding rate”	the market share of branded fresh fruit distribution account for the overall fresh fruit distribution market
“CAGR”	compound annual growth rate calculated as $\left(\frac{V_{(tn)}}{V_{(t0)}}\right)^{\frac{1}{tn-t0}} - 1$, $V_{(t0)}$: start value, $V_{(tn)}$: finish value, $tn-t0$: number of years
“cold-chain”	various links of certain food raw materials, processed food or semi-finished products, special biological products and pharmaceuticals, after acquisition, processing, inactivation and in the processing, storage, transportation, distribution and retail, use of product, are always in a specific low-temperature environment required by a product to reduce loss, prevent contamination and deterioration, in order to ensure product food safety, biosafety, drug safety on the special supply chain system
“community-based fresh-food chain store”	a chain of stores that are opened near residential areas and cover the residents of the surrounding community. Store area is usually less than 500 square meters, and the proportion of fresh food retail sales to total retail sales is not less than 50%

GLOSSARY OF TECHNICAL TERMS

“community group buying”	an e-commerce platform that enables consumers within the same community to make bulk purchases through community representatives, and then the combined orders will be delivered to a collection point, usually the next morning, for consumer pickup
“comprehensive e-commerce”	express delivery-based e-commerce platforms
“container”	cargo boxes with gaps between boards, commonly used in shipping and air transport
“content marketing”	convey relevant contents on the enterprise to customers with pictures, text, animation and other media to promote sales, and to deliver valuable information to users through reasonable content creation, publishing and dissemination, so as to achieve the purpose of online marketing
“COVID-19”	2019 Coronavirus disease, a disease caused by a novel virus known as severe acute respiratory syndrome coronavirus type 2
“customs clearance”	procedures to be performed in accordance with the laws and regulations of the Customs when importing, exporting or transiting of goods in and out of a customs territory
“customs management”	management of businesses involving customs clearance, logistics, foreign exchange, costs, taxes, etc.
“dietary fiber”	a polysaccharide that is neither digested nor absorbed by the gastrointestinal tract, nor does it produce energy, and has a rather important physiological role
“direct procurement/sourcing”	direct procurement/sourcing from direct sources in fruit places of origin through orchards and third-party fruit suppliers
“domestic fruit(s)”	for the purposes of this Prospectus, domestic fruit(s) refer to fruit(s) that are procured in China

GLOSSARY OF TECHNICAL TERMS

“emerging retail channel”	for the purposes of this Prospectus, emerging retail channels consist of community-based fresh-food chain stores and e-commerce channels including on-demand e-commerce, community group buying, and comprehensive e-commerce
“emerging retailer”	for the purposes of this Prospectus, emerging retailers refer to individuals and companies that sells goods to end users or customers through emerging retail channels
“flower induction”	change temperature, light, humidity, etc. or to promote early flowering, counter-seasonal flowering or increased flowering in season by ring cutting, ring stripping, short cutting, spraying plant growth regulating substances, etc.
“fresh fruit”	for the purposes of this Prospectus, means fruit that has not been deeply processed, for example with cooking and/or further processing
“fresh fruit distributor”	for the purposes of this Prospectus, fresh fruit distributor refer to undertaking the intermediate distribution of fruits from the place of origin to the place of sale in the fresh fruit market, and whose revenue is mainly generated from the sale of fruit to fruit retailers or fruit traders and wholesalers
“freshness preservation”	keep perishable foods such as vegetables, fruits and meat fresh
“fruit commodification rate”	ratio of the number of fruits meeting commercial fruit standards to the total number of fruits
“fruit product scheduling/planning”	the planning and allocation of resources on product production and launch
“fruit thinning”	one of the measures for orchards management, removing part of the excess young fruit manually to obtain high-quality fruit and sustainable yield

GLOSSARY OF TECHNICAL TERMS

“GMV”	gross merchandise value, i.e. the total value of all orders at the price listed for the product. The calculation of GMV does not take into account discounts through coupons, nor does it include shipping and returns, undelivered or unsold orders
“GPS”	GPS (Global Positioning System), a high-precision radio navigation positioning system based on artificial earth satellites
“grading”	categorize and grade fruits based on customized standards for appearance, weight, quality, etc.
“imported fruit(s)”	for the purposes of this Prospectus, imported fruit(s) refer to fruit(s) that are procured from overseas countries
“Internet of Things”	with various devices and technologies such as information sensors, radio frequency identification technology, global positioning system, infrared sensors, laser scanners, etc., any object or process that needs to be monitored, connected and interacted with in real time, collecting its sound, light, heat, electricity, mechanics, chemistry, biology, location and other kinds of needed information, realizing the ubiquitous connection between things and things, things and people through various kinds of possible network access, and realizing the Intelligent sensing, identification and management of processes
“KOL”	Key Opinion Leader
“KOL marketing”	marketing through KOL campaigns
“loss rate”	the rate of quality deterioration during distribution, which does not include weight loss or water evaporation loss during transportation
“machine learning”	specializing in how computers can simulate or implement human learning behaviors to acquire new knowledge or skills and reorganize existing knowledge structures to continuously improve their performance

GLOSSARY OF TECHNICAL TERMS

“marking”	according to the relevant national regulations or for the enterprise’s own management needs, the operation of text, pictures and other markings on the product
“maximum sunshine time”	maximum time of receiving sunlight
“on-demand e-commerce”	an e-commerce platform that provides local on-demand delivery services to consumers within 3 hours after an order being placed, usually specializing in fresh food and daily necessities
“product matching”	the process of matching and grouping appropriate products for sales and marketing
“pre-cooling”	food from the initial temperature (about 30 °C) quickly down to the desired end temperature (0~15 °C) process, that is, in refrigerated transport and high-temperature refrigeration before the cooling and rapid freezing before the rapid cooling process
“pollination”	the flowers of a plant that must bear fruit usually have some yellow powder in them, which is called pollen. These pollens needs to be passed on to certain flowers of similar plants. The movement of pollens from the anther to the stigma is called pollination
“region of production”	region of origin, region of production
“selenium-rich alkaline soil”	alkaline soils enriched in selenium
“shelf life”	food is stored under recommended conditions that maintain safety, ensure desirable organoleptic, physicochemical and microbiological properties, and retain any nutritional values declared on the label for a period of time
“six core products/core products”	for the purposes of this Prospectus, refers to durian, mangosteen, longan, dragon fruit, cherry and grapes
“SKU”	Stock Keeping Unit, the basic unit for measuring incoming and outgoing inventory

GLOSSARY OF TECHNICAL TERMS

“social marketing”	a social relationship-based marketing model that enables brand communication to grow rapidly through the power of word-of-mouth among users
“sorting”	separate and package fruits according to various specifications and standards
“store display”	display in physical retail stores to present or promote products in order to attract consumers
“sorting center”	center where goods are taken out from their storage or other areas and sorted and packaged
“stacking”	arranging items into pallets in a neat and regular manner
“sugar-acid ratio”	ratio of total sugar (soluble solids, generally expressed as an indication of brix refractometer) to total acid content in food or food ingredients
“Survey”	a research conducted by CIC in August 2021 against 1,000 Hongjiu Fruit consumers to evaluate consumer satisfaction on the Company by its consumers
“temperature control”	the control of temperature
“The Chinese Dietary Guidelines”	rules developed for the purpose of proposing dietary guidelines recommendations that meet the nutritional health status and basic needs of national residents
“yard management”	management of access to the terminal yard

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of, assumptions made by and information currently available to our management. All statements other than statements of historical facts contained in this Prospectus, including, but are not limited to, those regarding our beliefs, plans, objectives, strategies, assumptions, future developments or performance, and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “consider”, “could”, “estimate”, “predict”, “potential”, “continue”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” or the negative forms of these words or similar expressions identify forward-looking statements, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Group’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These forward-looking statements have been based on various assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. The risks and uncertainties, many of which are beyond our control, could influence our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- our business operations, development and business prospects;
- general economic, market and business conditions in the PRC and any changes thereto;
- our dividend policy;
- our financial condition, results of operation and performance;
- the amount and nature of, potential for and future development of our business;
- future developments, trends and conditions in the industry and markets in which we operate or intend to expand;
- any changes in the laws, rules and regulations of the central and local government authorities in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant government authorities relating to all aspects of our business;
- the products, actions and developments of our competitors;

FORWARD-LOOKING STATEMENTS

- global political and economic conditions, including those related to the PRC and other relevant jurisdictions in which we have or intend to have business operations; and
- capital market developments.

Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update or revise any forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, we strongly caution you not to place undue reliance on any such forward-looking information, which only reflect our management's view as of the date of this Prospectus. Any such intentions may change in light of future developments. All forward-looking statements in this Prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

An investment in our H Shares involves significant risks. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the “Financial Information” section, before deciding to invest in our H Shares. The following is a description of what we consider to be our material risks. If any of these risks materializes, the market price of our H Shares could decline and you may lose all or part of your investment.

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 Prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business depends significantly on market recognition of our “洪九” and other trademarks and brand names, and any damage to our trademarks, brand names or reputation, or any failure to effectively promote our brands, could materially and adversely impact our business and results of operations.

We believe that market recognition of our “洪九” and other trademarks and brand names among our customers, suppliers, and third-party service providers have contributed significantly to the growth and success of our business. We also rely on other trademarks and brand names that we use to market and promote our fruit products, as well as our reputation in relation to our brands and high-quality fruits. Therefore, maintaining and enhancing the recognition and image of our brands is critical to our ability to differentiate our fruit products and services and to compete effectively. Many factors, some of which are beyond our control, are important to maintaining and enhancing our brand. These factors include our ability to:

- maintain the popularity, attractiveness, diversity and quality of our fruit products;
- maintain or improve customers’ satisfaction with our quality fruit products;
- offer and maintain a wide selection of high-quality fruit products;
- increase brand awareness through marketing and brand promotion activities; and
- preserve our reputation and goodwill in the event of any negative publicity, internet and data security, product quality, price authenticity, or other issues affecting us or fresh fruit industry in China.

RISK FACTORS

We have invested significant resources in our high-quality and popular fruit products. Our brands also depend on our ability to respond to competitive pressures. If we fail to do so, the value of our brands or reputation may be diminished and our business and results of operations may be materially and adversely affected. Furthermore, as we continue to grow in size, expand our product offerings and extend our geographic reach, maintaining consistent product quality may be more difficult and we cannot assure you that we can maintain our consumers' confidence in our brand name. If consumers perceive or experience a reduction in the quality of our products or service, or consider in any way that we fail to deliver high-quality products consistently, our brand value could suffer, which could have a material and adverse effect on our business.

Moreover, our established brand recognition may attract imitators who intentionally use highly similar trademarks, trade names and/or logos with ours to mislead potential consumers. Although we are not liable for misconducts committed by counterfeit fruit products, this may significantly harm our reputation and brand image, thereby causing a decline in our financial performance, reduction in our market share, as well as an increase in the amount of resources for our anti-counterfeiting efforts. However, we cannot assure you that our measures will provide effective prevention and any infringement act could adversely affect our reputation, results of operations and financial condition. See “— We may not be able to adequately protect our intellectual property, or we may be subject to intellectual property infringement claims or other allegations by third parties, either of which could adversely affect our business and operations.”

We consider our trademarks and brand names to be material to our business. If we are unable to adequately protect these intellectual property rights, we may lose these rights, our brand image may be harmed, and our competitive position and business may suffer. See “— We may not be able to adequately protect our intellectual property, or we may be subject to intellectual property infringement claims or other allegations by third parties, either of which could adversely affect our business and operations.”

Extreme weather conditions, natural disasters, crop diseases, pests and other natural conditions may create substantial volatility for our business and results of operations.

Cultivation of fresh fruits is vulnerable to extreme weather conditions such as windstorms, hailstorms, drought, temperature extremes and typhoons, as well as natural disasters such as earthquakes, fires and floods. Unfavorable conditions can reduce both crop size and crop quality. In extreme cases, entire harvests may be lost in some geographic areas. These factors may create substantial volatility in the availability and price of certain fruits in a certain period. For example, extreme weather events, including late spring frost and hailstorms in China, have caused significant price increase of certain fruits in 2019 as detailed in “Industry Overview.” We take into account the possibility of the occurrence of adverse seasonal weather conditions in making our procurement plans to mitigate such risks. However, such events are not predictable in nature and may occur at any time of the year. As such, the occurrence of any of these events may create significant volatility for our fruit supply, and thus, our business and results of operations.

RISK FACTORS

During the Track Record Period, the percentage of purchases of durian, mangosteen and longan from Thailand amounted to 72.2%, 82.7%, 82.8% and 84.2%, respectively. Therefore, extreme weather conditions, natural disasters, crop diseases, pests and other natural conditions in those places of origin, in particular, in Thailand, would exert a direct impact on our procurement of fruit products and further influence our business and results of operation.

The supply of our fruit products is also vulnerable to crop diseases and pest infestations, which may vary in severity, depending on the stage of growth at the time of infection or infestation, the type of treatment applied and climatic conditions. The costs to control these diseases and infestations vary depending on the severity of the damage and the extent of the plantings affected. Moreover, available technologies to control such infestations may not continue to be effective. These infestations will increase costs, decrease crop size and quality, and lead to additional expenses to our suppliers, which in turn increase the purchase prices we may incur, thus, having a material and adverse effect on our business, results of operations and financial condition.

Any failure to maintain food safety and consistent quality could have a material and adverse effect on our brands, business and financial performance.

The quality and safety of our fruit products are critical to our success. We pay close attention to quality control, monitoring each step in the process from procurement to sale. We have also implemented quality control standards and measures throughout our entire operating processes as detailed in “Business — Quality Control.” However, due to the rapid growth scale of our operations, there is no assurance that our quality control systems will prove to be effective at all times, or that we can identify any defects in our quality control systems in a timely manner. We face an inherent risk of food contamination, particularly excessive pesticide residue and liability claims. Any food contamination that we fail to detect or prevent could adversely affect the quality of our fruit products, which could lead to liability claims, and the imposition of penalties or fines by relevant authorities.

In addition, the quality of the products or services provided by our suppliers or service providers is subject to factors beyond our control, including the effectiveness and efficiency of their quality control system, among others. There can be no assurance that our suppliers or service providers may always be able to adopt appropriate quality control systems and meet our stringent quality control requirements in respect of the products or services they provide. Any failure of our suppliers or service providers to provide satisfactory products or services could harm our reputation and adversely impact our operations.

In October 2019, the State Council amended the Regulation for the Implementation of the Food Safety Law (the “**Regulation of Food Safety Law**”), which became effective on December 1, 2019. In April 2021, the Standing Committee of the National People’s Congress amended the Food Safety Law of the People’s Republic of China (the “**Food Safety Law**”), which became effective on the same date. The Food Safety Law and the Regulation for the Implementation of Food Safety Law outlines detailed rules for food safety assessment, food safety standards, food production and food business, food inspection and other matters.

RISK FACTORS

Pursuant to Food Safety Law and laws and regulation of food safety, certain violations of the Food Safety Law may result in severe administrative and criminal penalties imposed on us, as well as our legal representatives, senior management members and other directly responsible personnel. If penalties are imposed on our senior management members, they may be prevented from performing their duties to us, which could, in turn, negatively affect our business operations. Such penalties could also have a material adverse impact on our reputation as well.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material product quality claims against us, nor had we received any material administrative penalties in this regard. Moreover, we currently do not maintain any product liability insurance and may not have adequate resources to satisfy a judgment in the event of a successful product liability claim against us. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments.

We may not be able to continue to expand our product offerings or successfully establish brand portfolio.

Our success is, and will continue to be, dependent on our ability to select, source and sell a variety of high-quality fruits. During the Track Record Period, we have periodically developed new fruit products after forecasting potential revenue generation and assessing the sales performance of new and existing products. We may reduce procurement or terminate collaboration with relevant suppliers for underperforming products to optimize our product portfolio. Going forward, we intend to continue to identify new fruit categories to further increase and diversify our product offerings. However, there is no assurance that we will always succeed in selecting and sourcing high-quality products that cater to the preferences and needs of consumers or achieve anticipated sales at competitive prices, especially those fruits sourced from overseas which the consumers in the PRC are not familiar with and may not readily accept. In this regard, we are required to recruit more personnel with expertise in cultivation, procurement, research and development, as well as sales. In addition, one of our development strategies is to develop additional fruit brands. Building a high-quality brand requires significant investments in technology, capital and manpower, which includes not only the investments in the early stage of research and development, but also the marketing efforts in the mid-to-late stage to cope with the market-oriented branding. It may take a long time to cultivate a mature high-quality fruit brand, and similarly, it takes time to develop brand recognition among consumers upon marketing. We cannot assure you that our investments in this area will continuously deliver our expected returns.

Our business is subject to changes in consumer demand, preferences and spending patterns.

Consumers' willingness to purchase our fruit products may fluctuate as a result of changes in economic conditions, disposable income, technology, lifestyle and publicity of our fruit products or our competitors. Additionally, the fresh fruit industry in China is highly competitive and consumers may shift their choices and preferences when new fruit products are

RISK FACTORS

introduced by various marketing and pricing campaigns of different brands. Any of these factors or our failure to anticipate, identify or adapt to these changes in a timely manner could result in reduced demand for our fruit products. We may not be able to successfully adapt our business strategy, brand image and product portfolio to changes in market trends or shifts in consumer preferences and spending patterns, which may in turn materially and adversely affect our business, financial condition and results of operations.

Failure to compete effectively may adversely affect our market share and profitability.

The industry we operate in is intensely competitive with respect to, among other things, brand recognition, consistent fruit quality, services and prices. Our competitors include a variety of regional, national and international fruit distributors at different levels. Furthermore, new competitors may emerge from time to time, which may further intensify the competition. In particular, market players initially in other food sectors may start to offer fruits, imposing direct competition against us. Increased competition may reduce our margins and market share and impact brand recognition, or result in significant losses. When we set prices, we have to consider how competitors have set prices for the same or similar products. When they cut prices or offer additional benefits to compete with us, we may have to lower our own prices or offer additional benefits or risk losing market share, either of which could harm our financial condition and results of operations.

Some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases, more comprehensive distribution network, better access to users, higher penetration in certain regions or greater financial, technical or marketing resources than we do. In addition, smaller companies or new entrants may be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors which would help enhance their competitive positions. Some of our competitors may be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing policies and devote substantially more resources to in the places of origin to secure more fruit supplies or to their digitalized supply chain management system. We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

Our ability to effectively compete will depend on various factors, including the successful implementation of our distribution network expansion strategy, our ability to continuously source high-quality fruits, to expand product portfolio, and to enhance our operational efficiency. Failure to successfully compete may prevent us from increasing or sustaining our revenue and profitability and potentially lead to a loss of market share, which could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

RISK FACTORS

The prices of our fruit products may fluctuate subject to various factors.

Fresh fruits are highly perishable and most fruits must be brought to market and sold very shortly after harvest. The selling price for a certain type of fruit may fluctuate significantly subject to various factors such as supply of and demand for such fruit and its quality. Weather condition in various regions of China and worldwide is one of the primary factors affecting the supply of crop. In addition, cultivation technologies and post-harvest processing technologies may also affect the supply and quality of different fruit categories.

Oversupply of certain types of fruits without a corresponding increase in consumer demand may decrease the prices for our fruit products. General public concerns regarding the quality, safety or health risks associated with a particular fruit product could reduce demand and prices for such product. However, even if market prices are perceived to be unfavorable, the majority of the fruits which we have sourced are not suitable for long-term storage and must be brought to market within a short period of time. As such, any decrease in the selling prices for our fruit products due to the factors described above could have a material and adverse effect on our business, results of operations and financial condition.

The disruption of significant supplier relationships could negatively affect our business. A shortage in the production capacity of our suppliers, or an impact on the ability to deliver our fruit products, may materially and adversely affect our business and results of operations.

During the Track Record Period, our suppliers primarily comprised fruit suppliers and logistics service providers. We typically source fruit located in regions that enjoy optimal geographic, climatic and biological conditions, particularly for our branded fruits. Fruit grown in such regions is rare in nature and difficult to replicate, providing consumers with premium quality and taste. In addition to direct sourcing from places of origin, as a supplement to our inventory and as an effective means to mitigate risks associated with market turbulence, we also procure fruit products from reputable third-party fruit suppliers in China. As such, identifying high-quality fruit suppliers and maintaining a stable business relationship with them are critical for our business operations. We had over 7,000 suppliers as of May 31, 2022. During the Track Record Period, purchases from our five largest suppliers amounted to RMB733.2 million, RMB853.1 million, RMB905.3 million and RMB620.4 million in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, representing 44.0%, 19.3%, 11.0% and 14.0% of total purchases during the same periods. Purchase from our largest supplier amounted to RMB286.6 million, RMB243.8 million, RMB230.8 million and RMB170.8 million in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, representing 17.2%, 5.5%, 2.8% and 3.9% of total purchases over the same periods.

Maintaining strong relationships with fruit suppliers is important to the growth of our business. In particular, we depend significantly on our ability to directly procure fruit products from suppliers on favorable terms. We typically enter into one- to three-year framework agreement with suppliers and renew it as appropriate upon expiration, but there can be no

RISK FACTORS

assurance that these framework agreements could ensure the availability of products or the continuation of particular pricing practices or payment terms beyond the end of contractual term. In addition, our agreements with suppliers typically do not restrict the suppliers from selling fruit products to other buyers. We cannot assure you that our current suppliers will continue to sell fruit products to us on commercially acceptable terms, or at all, after the term of the current agreement expires.

Even if we maintain good relationships with our suppliers, their ability to supply fruit products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulation or laws, customs and import restrictions, natural disasters or other causes. In the event that we are not able to purchase fruits at favorable prices, our sales of fruit products and cost of revenues may be materially and adversely affected. Any cancellation of our supply arrangements with these suppliers or any disruption, delay or inability of these suppliers to supply us with fruits that meet our quantity and/or quality requirements may materially and adversely affect our business and operating results. We cannot assure you that we would be able to find replacement suppliers on commercially reasonable terms if our purchase agreements with the suppliers expire and are not renewed promptly or terminated early, which would have a material adverse effect on our financial conditions, results of operations and cash flows. If our business relationships with suppliers are interrupted, we may lose our competitive advantage of providing fruits with premium quality, which in turn may materially and adversely affect our brand image, financial conditions and results of operations.

Fluctuations in prices and changes in the quality of fruits procured from upstream suppliers could materially and adversely affect our profitability and results of operations.

Our ability to control our costs depends on our ability to secure fruits that meet our quality standards from our suppliers at reasonable prices. The costs of fruits accounted for substantially all of our cost of sales during the Track Record Period and we expect our cost of procuring fruits to continue to account for a relatively large portion of our cost of sales.

The procurement price of our fruits could be volatile due to a variety of factors beyond our control. The price of fruits may be affected by factors such as the global and domestic economic condition, relevant regulations and policies, and changes in supply and demand in the market. The supply of some of our fruits may be negatively affected by factors such as adverse weather conditions and pest disasters, which could lead to an increase in the procurement price of such fruits.

Many of our suppliers are located outside China. The customs clearance procedures for importing fruits could be lengthy and could adversely affect the timely supply of such fruits. If we encounter lengthy customs clearance procedures to import certain of our fruits, we may experience delays in the supply of our fruits. Also, the trade or regulatory embargoes imposed by foreign countries or China could result in delays or shortages of our fruits. If we are forced to purchase fruits from domestic suppliers whose prices are higher than those offered by foreign suppliers, our costs will increase and our business could be harmed.

RISK FACTORS

Furthermore, we rely on our suppliers to supply fruits that meet our quality standards, but we may fail to ensure the comprehensiveness and effectiveness of their quality control systems. Although we inspect all our fruits when they are delivered to us, we cannot assure you that we will be able to detect quality defects in our fruits in a timely manner. See “Business — Quality Control.”

Any increase in the procurement price of fruits may prompt us to increase the pricing of our fruit products, reducing their competitiveness. If the procurement price of fruits increases and we choose not to increase the selling price of our fruit products to preserve our competitiveness despite the cost increases, we may not be able to pass on the cost increases to our customers, which would adversely affect our profitability.

We may encounter difficulties in maintaining, expanding or optimizing our sales and distribution network.

During the Track Record Period, our sales and distribution network comprises: terminal wholesalers, emerging retailers, supermarket customers and direct sales. In 2019, 2020 and 2021 and the five months ended May 31, 2022, 51.1%, 52.7%, 53.3% and 57.1% of our total revenue were generated from sales to terminal wholesalers, respectively; 22.7%, 17.4%, 20.7% and 20.7% of our total revenue were generated from our sales to emerging retailers, respectively; 19.2%, 18.6%, 14.2% and 11.5% of our total revenue were generated from sales to supermarket customers, respectively; and 7.0%, 11.3%, 11.8% and 10.7% of our total revenue were generated from direct sales, respectively. The competition for high-quality sales channels is intense in our industry. We may not be able to offer more favorable arrangements to our customers as compared to those offered by our competitors who may be larger and have better resources.

Our contracts with customers usually carry terms of one to three years. We assess each contract at the end of the contractual term to determine whether to renew the contract based on performance or business need; renewal of contracts is subject to mutual consent and approval and we cannot ensure that the customers we are satisfied with will agree to renew.

We cannot assure you that our current or future agreements, if any, with our major customers can be negotiated on terms and prices equivalent to or more favorable than current terms and prices. We cannot assure you that we will always be able to maintain our relationships with the existing customers or develop relationship with replacement customers.

We select and evaluate our customers on a regular basis as detailed in “Business — Our Sales and Distribution Network”. Based on our evaluation, we may terminate relationships with certain customers and engage new ones that are in line with our business strategies. Finding replacement sales and distribution customers may be time-consuming and any resulting delay may be disruptive and costly to our business.

RISK FACTORS

As part of our business strategies, we consistently seek to expand and optimize our sales and distribution network by exploring new sales channels, developing new sales customers and entering into new geographical regions. However, the success of our expansion plan is subject to, among other things, the following factors:

- the existence and availability of suitable sales channels or geographical regions for expansion of our sales and distribution network;
- our ability to negotiate favorable cooperation terms with our customers;
- the availability of adequate management and financial resources;
- the availability of suitable customers, especially in areas where we rely on the in-depth knowledge of our customers to penetrate into the local markets;
- our ability to hire, train and retain skilled personnel; and
- adaptation of our operational and management systems to an expanded sales and distribution network.

Accordingly, if we encounter difficulties in maintaining, expanding or optimizing our sales and distribution network in the future, our business, financial condition and results of operations and prospects may be materially and adversely affected.

We rely heavily on sales of perishable fruit products, and product supply disruptions or disruptions to our distribution network may have an adverse impact on the profitability and operating results.

During the Track Record Period, we derived revenue from sales of various fruit products that we sourced from over 100 places of origin in China, Thailand and Vietnam. When delivering fruit products to customers, we relied on third-party logistics service providers during the Track Record Period. Even if we have implemented technical protocols with respect to temperature, humidity, hygiene and physical conditions for fruits in transit, we cannot assure you that our service providers would follow strictly, and the services provided by our logistics service providers may be interrupted, suspended or cancelled due to unforeseen events, which could cause the decay of our fruit products and increase our loss rate. In addition, since fruits are fragile and perishable, if we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. Moreover, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. These factors may materially and adversely affect our results of operations and financial condition.

RISK FACTORS

On the other hand, the quality of fruits is critical to our reputation and business success. Due to the fragile and perishable nature of our fruits, supplying quality fruit to consumers in a consistent manner also requires our employees and other third parties involved in our supply chain, such as third-party logistic service providers and distributors, to adhere to our quality control policies and handle fruit products properly. The practices of such third parties may be beyond our control and could significantly compromise the quality of our fruit products. If consumers perceive or experience a reduction in the quality of our products, or consider in any way that we fail to deliver consistently high-quality products, our brand value could suffer, which could have a material and adverse effect on our business.

Lastly, fruits are perishable in nature, and we hence rely on various suppliers to provide us with fruit product, as well as our capacities to distribute such products, promptly on an ongoing basis. We could suffer significant product losses in the event of the loss of a major supplier, disruption of our distribution network, extended power outages, natural disasters or other catastrophic occurrences. Leveraging our supply chain management system, *HJ Star Bridge* (洪九星橋), we are able to flexibly adjust our purchase orders' volume and price, thereby improving the predictability of relevant orchard's supply. In addition, through *HJ Star Bridge* (洪九星橋) system, we can assess the trend of sales prices of fruit in different regions, as well as the supply and demand mechanism of relevant fruit products in a specific market, enabling us to monitor and adjust our procurement and distribution with synergies. Having said that, we cannot assure you, however, that our supply chain management system will always work efficiently, in particular in connection with expanding fruit processing plants and sorting centers to new geographic areas where we have limited local experience. If we were to over-order, we could suffer inventory losses, which could have a material and adverse effect on our business, results of operations and financial condition.

Our prepayments to major suppliers may involve significant uncertainty and subject to impairment.

During the Track Record Period, we made prepayments to suppliers in order to secure stable supply of high-quality fruits, which is in line with our industry practice. The balance of our prepayments as of December 31, 2019, 2020 and 2021 and May 31, 2022 was RMB656.3 million, RMB879.9 million, RMB1,360.2 million and RMB1,030.7 million, respectively. Our prepayments increased from 2019 to 2021 primarily due to our effort to expand and deepen cooperation with quality sources of fruits, as well as to identify additional suppliers and increase purchases to support our business growth. If the amount of prepayments paid to major suppliers increase significantly in the future, we may experience issues related to business operation and capital insufficiency caused by mismatched prepayment and collection of trade receivables. If our suppliers modify the price or material terms of our procurement agreement, we may be subject to financial strains and may incur more procurement costs than we expected. Certain factors, including industry and macroeconomic conditions, might negatively impact financial condition of suppliers, which in turn subject prepayments for suppliers to impairment. As a result, our business, financial condition and results of operations may be adversely

RISK FACTORS

affected. Moreover, any material adverse change to the operation, financial performance or financial condition of these suppliers may have a significant adverse impact on us. See “Financial Information — Net Current Assets/Liabilities — Trade and other receivables” for more details.

Our failure to recover a significant portion of our trade and other receivables in a timely manner may have a materially adverse effect on our business and financial results.

We generate trade receivables in the ordinary course of business. Our trade receivables primarily consist of receivables due from third parties in connection with their purchases of our products. The major customers of our sales include terminal wholesalers, supermarket customers, emerging retailers and direct sales customers. We set credit terms based on customers’ size and credit ratings, and generally grant a credit term of no more than 180 days to customers satisfying relevant requirements. As of December 31, 2019, 2020 and 2021 and May 31, 2022, our trade receivables net of losses allowance amounted to RMB708.1 million, RMB2,010.4 million, RMB3,707.3 million and RMB5,907.8 million, respectively. Trade receivables continued increasing during the Track Record Period primarily due to the increase in sales of our fruits, primarily as a result of our business expansion. Our trade receivables turnover days decreased from 106.9 days in 2019 to 87.6 days in 2020 and increased to 103.0 days in 2021 and further increased to 129.1 days in the five months ended May 31, 2022. We have adopted various measures in order to reduce our trade receivables turnover days. We periodically review the repayment schedules of our customers, and review the aging analysis on a monthly basis. We will assign designated personnel to follow up and chase the outstanding payments in the event of any trade receivables past due over three months. Our loss allowance for trade receivables amounted to RMB21.3 million, RMB30.4 million, RMB55.5 million and RMB121.2 million as of December 31, 2019, 2020 and 2021 and May 31, 2022. The continued increase in loss allowance was mainly caused by the increase in trade receivables as a result of increased sales of fruit products in line with our business expansion. In the event that our trade or other receivables increase significantly and we fail to collect these receivables in a timely manner, our financial condition and business operations may be materially and adversely affected. See “Financial Information — Net Current Assets/Liabilities — Trade and other receivables” for more details.

We recorded negative operating cash flows and net current liabilities in the past, which we may continue to experience in the future.

We recorded net current liabilities of RMB76.2 million and RMB55.5 million as of December 31, 2019 and 2020. Please see “Financial Information — Net Current Assets/Liabilities” and “Financial Information — Consolidated Statements of Profit or Loss — Non-IFRS Measure.” In addition, we recorded net cash used in operating activities of RMB449.8 million in 2019, RMB804.4 million in 2020, RMB981.6 million in 2021 and RMB801.8 million in the five months ended May 31, 2022. Please see “Financial Information — Liquidity and Capital Resources — Cash Flow Analysis.” There is no assurance that we will generate sufficient net income or operating cash flows to meet our working capital requirements and repay our liabilities as they become due. There can be no assurance that we

RISK FACTORS

will be able to successfully take any of these actions in a timely manner, including prudently managing our working capital, or raising additional equity or debt financing on terms that are acceptable to us. Our inability to take these actions as and when necessary could materially adversely affect our liquidity, results of operations, financial condition and ability to operate.

Share-based payments may cause shareholding dilution to our existing Shareholders and have an adverse effect on our financial performance.

Employees (including directors) of the Group receive remuneration in the form of share-based payments for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company. We believe the granting of share-based compensation is important to our ability to attract, retain and motivate our management team and qualified employees. We recorded share-based payments of RMB5.9 million and RMB2.0 million in 2019 and 2020, respectively. We have not incurred any share-based payment expenses since 2021. We steadily decreased our share-based payments during the Track Record Period, however, we may grant additional share-based compensation in the future to incentivize our employees. Issuance of additional Shares with respect to such share-based payments may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have an adverse effect on our financial performance.

We may face risk regarding the recoverability of deferred tax assets, net.

As of December 31, 2019, 2020 and 2021 and May 31, 2022, our deferred tax assets were RMB3.2 million, RMB5.9 million, RMB7.4 million and RMB19.2 million, respectively. Deferred tax assets arise from deductible and taxable temporary differences, being the differences between the carrying amounts of assets for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from certain limited exceptions, deferred tax assets are recognized when we consider it is probable that the future taxable profit will be available against which the asset can be utilized. However, the outcome of their actual utilization may be different. While the deferred tax assets may enable us to reduce future tax payments, our deferred tax assets may also represent a risk to us as their recoverability depends on our ability to generate future taxable profit. We cannot assure you that our deferred tax assets can be recovered in the future. In the case that the value of our deferred tax assets is changed, we may have to write-down the deferred tax assets, which may materially and adversely affect our financial condition and results of operations.

Risk of disintermediation could materially and adversely affect our financial condition and operating result.

During the Track Record Period, we have successfully penetrated into the places of origin for several fruit categories, procured directly from relevant regions, and further distributed them to customers throughout China. Our upstream suppliers primarily include orchards and third-party fruit suppliers. In general, we do not enter into exclusive agreement with our suppliers. While we provide suppliers with convenient and efficient sales channels to our

RISK FACTORS

customers throughout China via our end-to-end supply chain, some of them may be able to offer direct sales channels to our customers, and some may choose not to engage with us once their business scale has grown to the point where they can afford independent direct market expansion initiatives toward our customer base. Customers who have strong purchasing power may be able and choose to acquire fruits directly from such vendors rather than through us. This process of disintermediation may expose us to the risk of losing business from our customers or of losing a reliable and quality supply of fruit from respective suppliers. Disintermediation also has a negative impact on our ability to negotiate good supplier prices and maximize margins and revenue with our customers. As a result, any disintermediation could materially and adversely affect our financial condition and operating results.

We rely on third-party distributors to place our products into the market and we may not be able to control our distributors and their sub-distributors.

As of May 31, 2022, our distribution and sales network in China consisted of 1,450 customers, namely terminal wholesalers, emerging retailers and supermarkets. As we mainly sell and distribute our products through customers, any one of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- reduction, delay or cancelation of orders from one or more of our customers;
- failure to renew distribution agreements and maintain relationships with our existing customers;
- failure to establish relationships with new customers on favorable terms; and
- inability to timely identify and appoint additional or replacement customers upon the loss of one or more of our customers.

We may not be able to successfully manage our customers and the cost of any consolidation or further expansion of our sales and distribution network may exceed the revenue generated from these efforts. There can be no assurance that we will be successful in detecting any non-compliance by our customers with the provisions of their distribution agreements. Non-compliances by our customers, among other things, may negatively affect our brand, demand for our products and our relationships with other customers. Furthermore, if the sales volumes of our products to consumers are not maintained at a satisfactory level or if distribution orders fail to track consumers demand, our distributors may not place orders for new products from us, or decrease the quantity of their usual orders. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial condition and results of operations.

During the Track Record Period, in some cases, when our distributors cannot directly cover the remote or unfamiliar markets in their designated areas, some of our distributor partners may further sell our products to their sub-distributors. We do not enter into contracts

RISK FACTORS

with such sub-distributors, thus having no control over sales activities of such sub-distributors. See “Business — Our Sales and Distribution Network.” We cannot assure you that the sub-distributors will at all times comply with our sales policies or that they will not compete with each other for market share in respect of our products. If any of the sub-distributors fail to distribute our products to their customers in a timely manner, overstock, or carry out actions which are inconsistent with our business strategy, it may affect our future sales. This may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to manage our inventory effectively could increase our loss rate, lower our profit margins, or cause us to lose sales, either of which could have a material adverse effect on our business, financial condition and results of operations.

Managing our inventory effectively is critical to the success of our business. Fresh fruits generally have a short shelf life and are perishable in nature. In addition, in the fruit distribution industry, there are typically multiple layers of intermediaries involved in the distribution process, which inevitably resulted in a high loss rate, limited transportation radius and limited sales coverage of fresh fruits. In addition, most distributors are operating with a low margin and on a small scale, making it difficult for such distributors to gain bargaining power in the value chain. Therefore, we, like many other industry peers, are exposed to increased inventory risks as a result of a variety of factors beyond our control, including changing consumer preferences, uncertainty of market acceptance of our new fruit products, unexpected extreme weather conditions, seasonality, etc. Although we proactively adjust our procurement plans from time to time based on our analysis of data collected from our suppliers, customers and third-party service providers along the supply chain, including upstream orchard condition and inventory level, we cannot assure you that there will not be under- or over-stocking of any particular product. Moreover, we generally estimate demands for our fruit products ahead of procurement and the actual time of sales. We cannot assure you that our predictions are always accurate to avoid any under- or over-stocking inventory, and our profit margins may be reduced.

In addition, in order to deliver high-quality fruit products to our customers directly from their places of origin, we manage the entire distribution channel by eliminating the traditional layer of middlemen, which not only reduces costs but also increases the speed of delivery. In fact, due to the nature of our products, we require our logistics service providers to comply with a comprehensive set of technical protocols with respect to temperature, humidity, hygiene and physical conditions for fruits in transit. These strict protocols help maintain freshness of produce and dramatically reduces the loss rate.

While we believe loss rate currently does not have a significant impact on our operations, there is no guarantee that our business model, supply chain management and technology will always be able to effectively control the loss rate of our fruit products. For instance, our supply chain system may be disrupted and third-party logistics service provider may not follow our protocols strictly; therefore, a high product loss rate could occur and our profit margins could be reduced. Failures in our systems to ensure freshness and safety of our fruit products could

RISK FACTORS

negatively impact sales and accordingly have a material and adverse effect on our business, results of operations and financial condition. If a sudden decrease in market demand and a corresponding unanticipated drop in the sales of our fruit products cause our inventory to accumulate, we may suffer from an increasing loss rate given the nature of fresh fruits. Additional markdowns or promotional activities or increasing loss rate will adversely affect our financial condition and results of operations. On the other hand, if we experience under-stock inventory while we underestimate the popularity of a particular product, we will lose the sales opportunity and our results of operations may also be adversely affected.

We rely on third-party logistics companies to fulfill our delivery needs.

During the Track Record Period, we engaged independent third-party logistics service providers to carry out transportation of fruit products. We believe such arrangement allows us to leverage expertise and quality services of relevant parties without incurring significant capital investment.

The services provided by our logistics service providers may be interrupted, suspended or cancelled due to unforeseen events, which could cause interruption to the sales or delivery of our fruit products. The transportation costs of third-party logistics service providers are subject to factors beyond our control, such as fluctuation in the gasoline price, increases in road tolls and bridge tolls, and changes in transportation regulations. Any increase in the service costs of our logistics service providers may lead to an increase to our logistic expenses, which may in turn negatively affect our results of operations.

There can be no assurance that we can continue or extend relationships with our current logistics companies on terms acceptable to us, or that we will be able to establish relationships with new logistics companies to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics companies or to engage additional logistic services to expand the coverage to cities where we distribute, or plan to distribute, it may inhibit our ability to offer fruit products in sufficient quantities, on a timely basis. Disputes with or a termination of our contractual relationships with one or more of our logistics companies could result in delayed delivery of products or increased costs.

In addition, as we do not have absolute control over these logistics companies, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products or any other issue, our sales and brand image may be demolished. Due to the nature of our products, we require our logistics service providers to comply with a comprehensive set of technical protocols with respect to temperature, humidity, hygiene and physical conditions for fruits in transit. However, we may not be able to effectively and timely identify any non-compliance by these logistics service providers. As such, if there is any material non-compliance of our technical protocols which cause damage to our products, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC, including the COVID-19 outbreak, may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza, Ebola virus and the recent COVID-19 outbreak in other regions across China, may materially and adversely affect our business, financial condition and results of operations. An outbreak of an epidemic or contagious disease or other adverse public health developments in China or elsewhere in the world could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business.

Moreover, China has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in China may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures taken by the PRC government or other countries in response to such contagious diseases will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations. Since late 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, China has imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. Although it was reported that the COVID-19 outbreak has been under control in China, the global death toll and number of infected cases still continue to rise. The outbreak, which has resulted in a high number of fatalities, has had an adverse impact on the livelihood of the people in China and on its economy. The fresh fruit industry in China has been impacted during the mass quarantines, as many stores have adopted protective measures and issued a temporary closure.

We implemented precautionary measures in the early stages of the COVID-19 outbreak. For instance, we adopted stringent standards in cleaning and disinfecting our offices. We also incurred expenses to provide protective materials to our employees and participated in various charitable donations. On the other hand, our sales to emerging retailers witnessed a significant growth in 2020, which was also attributable to our end-to-end supply chain featuring a reliable source of quality fresh fruits during the pandemic. See “Summary — Effects of the COVID-19 Outbreak” for more details.

We may also take further actions as may be required by government authorities or as we determine are in the best interests of our employees, suppliers and customers which could further adversely impact our business operations.

RISK FACTORS

To the extent the COVID-19 outbreak adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section, such as those relating to our ability to improve and enhance our products, our ability to procure high-quality fruits, our ability to expand sales and distribution network, and our ability to conduct our marketing activities cost-effectively.

There are no comparable recent events that provide guidance as to the effect the COVID-19 outbreak as a global pandemic may have, and, as a result, the ultimate impact of the pandemic is highly uncertain and subject to change, even though conditions have been gradually improving in China where we conduct substantially all of our business. We do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole. The extent to which the COVID-19 outbreak may impact our business will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the outbreak, the effectiveness of travel restrictions and other measures to contain the outbreak and its impact, such as social distancing, quarantines and lockdowns across China where we, our suppliers and customers are located. For more information on the impact of the COVID-19 outbreak on our business, see “Summary — Effects of the COVID-19 Outbreak.”

Our information technology systems may experience unexpected system failures, interruptions, inadequacies or security breaches.

We rely on our information technology and software systems, such as the *HJ Star Bridge* (洪九星橋) system, to effectively manage various data, in relation to sales, operations, finance and human resources. Any significant failure in our information technology and software systems could result in transaction errors, processing inefficiencies and loss of sales and customers, or lead to loss or leakage of confidential information. We collect and store information such as customer contact information and address for the purpose of our business needs. The security of such information is important to us. Any security and privacy breaches on customer information may damage our customer relations and our reputation, and may expose us to legal liability.

Our information technology and software systems may be subject to damage or interruption, primarily due to unexpected emergency circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches, unauthorized access to our information systems, hackings intended to cause malfunctions, loss or corruption of data, software, hardware or other computer equipment, intentional or inadvertent transmission of computer viruses and other similar events. We may also encounter problems when upgrading our systems, which could disrupt our operations and adversely affect our results of operations. Although we did not experience any material IT system breakdown during the Track Record Period, we cannot assure you that our IT systems will always operate without interruption in the future.

RISK FACTORS

In addition, we may not always be successful in developing, installing, running or implementing new software or advanced IT systems that are suitable for our business development. Even if we are successful in this regard, significant capital expenditure may be required, and we may not be able to benefit from the investment immediately. All of these may have a material adverse impact on our profitability.

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

We have been devoted to continuously developing technologies. However, we cannot assure you that our future efforts in developing technologies will be successful, in which case, our products may lose their competitive advantage, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, we rely on technology in many aspects of our operations. For example, we use big data analytics in various aspects of operations and management. Although we continuously upgrade our technologies to stay abreast with the latest industry developments, we cannot assure you that our investment in technology could produce the expected outcomes, in which case our business, financial condition, results of operations and prospects could 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 (the “**Relevant Customer(s)**”) settled their payments with us through third-party payors (the “**Third-party Payment Arrangement(s)**”). In 2019, 2020 and 2021, the aggregate amount of third-party payments accounted for approximately 0.4%, 0.3% and 1.3% of our total revenue, respectively. We have implemented various internal control measures to reduce the proportion of payments received from third-party payors and to mitigate the relevant risks as detailed in “Business — Third-party Payment Arrangements”. Since early January 2022, we have been strictly enforcing no Third-party Payments policies and enhancing internal procedures requiring employees to carefully verify payment information against the information recorded in our system to ensure that payments are made through customers’ bank accounts. As of the Latest Practicable Date, all Third-party Payment Arrangement(s) have been ceased.

We were subject to various risks relating to such Third-party Payment Arrangements during the Track Record Period, including possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected.

RISK FACTORS

Our development strategies may not achieve the expected goals in the near term, or at all.

We have a track record of successfully expanding into new geographical areas, where we commenced the operation of our business in Chongqing and have continued to expand our geographical reach. We also plan to further expand and penetrate into new markets across China and overseas to secure more quality and unique fruits as well as additional customers. Our expansion into new geographical areas involves new risks and challenges associated with such new markets, such as that our business model may not be acceptable to local residents, and we may need to adjust our mark-up rate for our fruit products to adapt to local economic condition. Similarly, the expansion of our business may present operating, marketing and compliance challenges that differ from those that we currently encounter when we enter into new regions in different countries. We cannot assure that we will be able to execute our business strategy or that our service offerings will be successful in such markets.

In addition, our lack of understanding of consumers or familiarity with suppliers, merchants and market dynamics of these new areas may make it more difficult for us to keep pace with local demands and preferences. Further, there may be one or more existing market leaders in any geographical area where we operate or decide to expand. Such companies may be able to compete more effectively than us by leveraging their experience in doing business in that market as well as their deeper data insight and greater brand recognition locally. Any failure in our expansion into new geographical areas could materially and adversely affect our business and prospects.

In China, if a company operates business outside its registered address, the company may be required to register those premises for business operation as branch offices with the relevant local authorities at the place where the premises are located and obtain business licenses for them as branch offices. As of the Latest Practicable Date, our business in certain local markets is being carried out without completing such registration with the local regulators. We may not be able to register the main premises for business operations as branch offices in a timely manner or at all due to complex procedural requirements and relocation of branch offices from time to time. If we become subject to penalties or other administrative proceedings for failure to complete such required registrations, our reputation, business, and results of operations could be adversely affected.

Our business is subject to the risks associated with international operations.

We plan to continue to expand our footprint internationally as part of our strategy. During the Track Record Period, we have maintained various supply chain infrastructures, such as fruit processing plants in Thailand and Vietnam. Operating in overseas markets requires significant resources and management attention and will subject us to regulatory, economic and policy risks in addition to those we already face in China. Specifically, our overseas operations in Thailand and Vietnam are subject to various operational and financial risks that could adversely affect our business.

RISK FACTORS

Our business operations outside China are subject to risks resulting from changes in tariffs, trade restrictions, trade agreements, international tax policies, difficulties in managing foreign operations and agents, different liability standards, issues related to compliance with anti-corruption laws, data protection, trade compliance and intellectual property laws in the respective overseas jurisdictions. The occurrence or consequences of any of these factors may restrict our ability to operate in the affected region or decrease the profitability of our operations in that region. In addition, as we expand our business internationally, we will be exposed to increased risk from foreign currency fluctuations and exchange controls.

We are also subject to general risks inherent in international operations, such as fluctuations in exchange rates, embargoes and customs clearances, complexity in the domestic and international political environment, changes in legal and regulatory requirements, import and export restrictions and tariffs, as well as political or social unrest or economic instability in regions in which we operate. In particular, while we are expanding our global presence, our overseas suppliers were mainly based in Thailand and Vietnam, and therefore we are especially susceptible to fluctuations in economic conditions of these geographic markets. An economic downturn in these geographic regions may adversely affect our import volume and our suppliers' ability to provide us with quality fruits, which may, in turn, materially and adversely affect our business and results of operations. In addition, complexity in the domestic and international political environment, changes in legal and regulatory requirements, import and export restrictions and tariffs will have a material impact on our import of fruit products. Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, results of operations and financial condition.

In addition, sales of our products are subject to complex laws and regulations in various countries and regions, and such laws and regulations are undergoing rapid changes, which concern topics including registration, testing, authorization, reporting, tax filing, quality control, import and export and enforcement. In particular, our fruit products entering China are subject to customs clearance. When we declare fruit products carried in containers and cargoes, our declaration forms are typically based on our understanding towards the products contained inside and our interpretations of the relevant laws and regulations. Due to uncertainties in relevant laws and regulations, it is possible that customs officials may not agree with our understandings and interpretations or may consider that we have failed to declare completely, properly and accurately. Should discrepancies occur or be perceived by customs, these fruit products may end up being impounded by customs, among other possible unforeseen circumstances, where we may be subject to investigations for breaking relevant laws and may be fined by authorities. In June 2020, Shenzhen Customs Anti-smuggling Bureau (深圳海關緝私局) commenced the investigation against us and two of our executive Directors (Mr. Deng, by virtue of being our controlling shareholder, and Ms. Tan Bo, by virtue of being our board secretary) and transferred the case to the People's Procuratorate of Shenzhen City (the "**Shenzhen Procuratorate**") for prosecution on suspicion of tax evasion, alleging that we falsely declared lower prices or higher prices for some batches of fruit products imported from Thailand for customs clearance between 2015 and 2017, resulting in customs tax shortfall of approximately RMB2.8 million and surplus of approximately RMB0.9 million, thus an aggregate net shortfall of customs tax amounted to approximately RMB1.9 million for

RISK FACTORS

the aforementioned period after set-off. Shenzhen Customs Anti-smuggling Bureau (深圳海關緝私局) commenced the investigation against us in December 2019 and transferred the case to the Shenzhen Procuratorate for prosecution on June 17, 2020, while Shenzhen Procuratorate returned the case to Shenzhen Customs Anti-smuggling Bureau on July 17, 2020 for further investigation. Shenzhen Customs Anti-smuggling Bureau transferred the case to Shenzhen Procuratorate for prosecution again on August 17, 2020. Shenzhen Procuratorate finally decided not to pursue prosecution against us on September 16, 2020 on the basis that there was a lack of factual clarity and evidence, thus the conditions for prosecution of tax evasion are not met. Shenzhen Customs Anti-smuggling Bureau confirmed that the investigation related to the Tax Incident has been closed and transferred the case to Shenzhen Customs. In response to a notice dated September 14, 2020 issued by Shenzhen Bao'an Airport Customs, we paid RMB1.9 million on September 15, 2020 to Shenzhen Bao'an Airport Customs for the shortfall of the customs tax, which is neither an administrative penalty nor a material violation of laws and regulations. This incident was caused by misunderstanding of and differences in interpretations of relevant custom laws and regulations due to its complexity and uncertainties and without any intentional violation of laws and regulations noting that there was also a surplus of customs tax actually paid by the Company of approximately RMB0.9 million. We started to import fruits by ourselves since 2015 through Hongjew Tiejong Mouyee Co., Ltd. (洪九泰中貿易有限公司) (“**Hongjew Tiejong**”, a Company established in Thailand in 2012 by Mr. Deng and two Thai residents, and became obligated to declare customs tax since then, prior to which we procured fruit from third-party fruit suppliers at the beginning of our explorations in Thailand. See “History, Development and Corporate Structure — Major Shareholding Changes of Our Group — Our subsidiaries” for details. The purchasing price we made to Hongjew Tiejong was determined according to actual cost incurred by Hongjew Tiejong in relation to fruit harvesting, processing and transportation. We prepared customs declaration based on the contracted purchase unit price which is an estimated unit cost incurred by Hongjew Tiejong, before the actual purchase unit price (i.e., the actual unit cost incurred by Hongjew Tiejong) could be determined accurately, which may take several days to verify and complete due to number of third-party entities involved therein. If the actual purchase unit price is higher or lower than the original estimated purchase unit price, we will set off the gap by adjusting the estimated purchase unit price in the next contract. We adopted this practice to deal with inherent practical difficulty in handling customs declaration to avoid prolonged waiting period incurred should we use actual price to prepare customs clearance documentation and related administrative and regulatory procedures, that may cause significant loss due to the nature that the fruit is perishable. Moreover, due to the fact that actual purchase unit price could be either higher or lower than the declared purchase unit price, for certain batches, we paid higher than the amount we would have been obliged to pay had we declared customs using the actual purchase unit price. In 2017, in line with our reorganization and development strategy to streamline corporate structure, we managed to complete the establishment of our subsidiary in Thailand, Niran International Trading Company (“**Niran International**”). Since 2018, we started to fully undertake fruit procurement and processing in Thailand through Niran International. As a result of improved efficiency on the pricing determination mechanism through this arrangement, we are able to confirm actual purchasing price more promptly, based on which, we may declare customs tax in the way without triggering the above-mentioned complexity. As of the Latest Practicable Date, there has been no similar incident since 2018 and

RISK FACTORS

no further investigation against us or our customs declaration activity in China had been initiated against us or our Directors. As China's customs rules, regulations and enforcement mechanisms continue to evolve, there is no guarantee that relevant government authorities will always agree with our interpretation and practice. In such event, our reputation, business and results of operations may be materially and adversely affected.

We may be exposed to various types of taxes in the jurisdictions in which we operate or have a presence.

We conduct our operations in China, Thailand and Vietnam, and we are exposed to various types of taxes in these jurisdictions. The level of taxation in each of the jurisdictions where we are established is subject to changes in laws and regulations, as well as changes in the application of existing laws and regulations by tax authorities, and such changes, if any, may lead to an increase in our effective tax rates. Moreover, tax laws and applicable practice have become increasingly complex and sophisticated, especially with respect to cross-border transactions. Thus, while we intend to manage our tax situation in each of these jurisdictions efficiently, there can be no assurance that the desired tax outcome will necessarily be achieved. We maintain a transfer pricing regime that, according to our transfer pricing consultants in Thailand and Vietnam, comply with the applicable laws and practices in these jurisdictions. As of the Latest Practicable Date, we were not aware of any inquiry, audit, investigation or challenge by any relevant tax authorities in China, Thailand and Vietnam in relation to our intra-group transactions. However, if local authorities disagree with our transfer pricing policy for our cross-border intra-group transactions and prevail in tax proceedings, we may be required to pay higher tax charges and potential penalties. We may also be subject to taxes in new jurisdictions if we launch new operations there in the future, and similar risks will apply in respect of such taxes. All these factors may have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to maintain our revenue growth and profitability.

Our revenue increased by 177.8% from RMB2,077.7 million in 2019 to RMB5,771.4 million in 2020 and further increased by 78.1% to RMB10,280.1 million in 2021, and increased by 25.1% from RMB4,575.7 million in the five months ended May 31, 2021 to RMB5,725.1 million in the five months ended May 31, 2022. We cannot assure you that the demand for our products will continue to grow at a similar rate in the future due to reasons including competition from new market participants and alternative products.

We have also achieved significant growth in profitability throughout the Track Record Period. Our adjusted profit (non-IFRS measure) increased by 190.2% from RMB228.3 million in 2019 to RMB662.4 million in 2020 and further increased by 64.5% to RMB1,089.6 million in 2021, and increased by 39.6% from RMB533.4 million in the five months ended May 31, 2021 to RMB744.5 million in the five months ended May 31, 2022. Our ability to sustain high profitability depends on whether we can continue supplying high-quality fruit products, generating a high level of sales revenue and effectively managing the cost of sales. If we fail

RISK FACTORS

to manage our growth or sustain our profitability effectively, our business, financial condition and results of operations could be adversely affected. Please see “Financial Information — Consolidated Statements of Profit or Loss — Non-IFRS Measure.”

We have leased properties, and we may not be able to renew current leases or relocate for relevant leased properties.

Currently, we leased properties for offices, sorting centers, points of sale and staff dormitories in relation to our business operations in China. Some of our fruit processing plants in Thailand and Vietnam are also located in leased premises. Our lease agreements generally have a term of one to two years and may be renewed upon mutual agreement. However, we cannot assure you that our rights to use these premises may not be challenged or we will always be able to successfully renew such leases upon their expiry. If we are required to relocate certain of our leased properties, such as fruit processing plants and sorting centers, we may not be able to relocate in a timely manner or on reasonable commercial terms, which, in turn, may materially and adversely affect our operations. In addition, we would incur additional relocation costs, thus affecting our business operations and financial condition. In addition, certain of our leased properties may be exposed to the risk of invalid lease agreements listed under the relevant laws and regulations as a result of the lessors’ failure to obtain valid proof of ownership of the property. If our lease agreements are deemed to be invalid and we are required to vacate the existing property, and we are unable to find alternative premises, our business operations will be adversely affected.

Moreover, due to rapid rental increases, we may not be able to renew the existing leases at reasonable prices. Therefore, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms, in a timely fashion or at all, resulting in the closure or relocation of the leased properties, which may materially and adversely affect their results, and, in turn could adversely affect our business and results of operations.

The rights to use certain leased properties could be challenged by third parties or relevant authorities, and we may be forced to relocate due to title defects of such leased properties, which may result in a disruption of our operations, and unregistered lease may incur administrative penalties.

Certain of our leased properties, such as sorting centers, have title defects due to various reasons, which may subject us to challenges by third parties or relevant authorities, such that our leases may be deemed invalid or unenforceable and we may be forced to vacate these leased properties. Some leased properties have not been issued ownership certificates due to inherent defects resulting from uncompleted administrative procedures during local urbanization progress. Some leased properties are leased without contract, or used inconsistently with the planned use, or subleased without permit. Some leased properties are located on collectively owned land without obtaining or providing procedural documents to prove the completion of the relevant requirements under PRC law in respect of the aforesaid leases, or on other land parcels with title defects under the PRC laws and the restrictive administrative requirements imposed on such land parcels in most regions in China. We believe

RISK FACTORS

such defects of land parcels are not uncommon in China. As of May 31, 2022, the relevant lessors of our leased properties with an aggregate of 59,991 square meters in China, failed to provide us with certificates of title. As advised by our PRC Legal Advisers, where the lessors fail to obtain the relevant ownership certificates, the lease agreements may be deemed unenforceable in accordance with the relevant laws and regulations. As a tenant, our use of the defective leased properties may be affected by third-parties' claims or challenges against the lease. Also, if the lessors do not have the requisite rights to lease the defective leased properties, the relevant lease agreements may be deemed invalid, and as a result we may be required to vacate such properties and relocate our offices or sorting centers, which may subject us to temporary interruption to our regional business operations and additional relocation costs, further affecting our business operations and financial condition. For risks in connection with relocating our offices or sorting centers, also see “— Any unexpected or prolonged disruptions to the operation of our supply chain infrastructures could adversely affect our business.”

We lease properties primarily for offices, fruit processing plants, sorting centers and staff dormitories. Under the PRC law, all lease agreements are required to be registered with the relevant real estate administration bureaus. However, as of May 31, 2022, 152 leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC, mainly because the relevant landlords failed to provide necessary documents for us to register the leases with the local government authorities.

As advised by our PRC Legal Advisers, failure to complete the registration and filing of lease agreements will not affect the validity of such leases. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 per lease. See “Business — Properties — Leased properties — Lease registration” for more details.

Any unexpected or prolonged disruptions to the operation of our supply chain infrastructures could adversely affect our business.

As of May 31, 2022, we had 16 fruit processing plants in Thailand and Vietnam and 60 sorting centers in China. We also had 19 sales branches in China to facilitate our sales and distribution as of the same date. Please see “Business — Our Sales and Distribution Network” for more details. In the event that there is any unexpected and prolonged disruption in the supply of utilities, such as water or electricity, or access to the premises, such as fire, and we cannot restore the affected infrastructures, or relocate promptly to another suitable location with well-equipped facilities, our business operations will be materially and adversely interrupted, which, in turn, will affect our results of operations.

In particular, due to the perishable nature of fruits, we have established detailed technical criteria as to temperature and humidity for processing and warehousing different fruits. If we incur any material equipment breakdown, such as a prolonged failure of the equipment for temperature or humidity control, the quality of the fruits stored in the relevant facilities may be compromised. We may have to downgrade their quality level or even discard them and absorb the relevant costs. In addition, repairing or adding equipment and machinery for our

RISK FACTORS

supply chain infrastructures may be expensive and time consuming. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material interruption to our supply chain infrastructures.

We require various approvals, licenses and permits to operate our business 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.

In accordance with the laws and regulations of the PRC and overseas countries, such as Thailand and Vietnam, we are required to maintain various approvals, licenses and permits in order to operate our business and maintain supply chain infrastructures in the PRC and such overseas countries. Currently, we are required to maintain business licenses for our operations. In addition to business licenses, subject to the requirements of local governments, we are also required to obtain licenses from the local administrations for market regulation, as well as import and export-related qualifications from the customs. Moreover, as we continue to expand our business, we may be further required to obtain additional licenses or permits.

These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations in relation to food safety, environmental protection and fire safety, as well as customs import and export. These approvals, licenses and permits are subject to examinations or verifications by relevant authorities and may be valid only for a fixed period of time subject to renewal and accreditation. Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolve any deficiencies. We may experience difficulties, delays or failures in obtaining the necessary approvals, licenses and permits for business operations. For example, we leased one parcel of land in Vietnam and did not receive a land use right certificate as of the Latest Practicable Date due to the lengthy administrative procedures even if we had submitted all relevant application documents and fees. We may also experience negative publicity arising from such deficiencies, which may adversely affect our reputation, business and financial performance. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licenses and permits required for existing business operations in a timely manner. If any of these occurs, our ongoing business may be interrupted and our expansion plan may be delayed.

Our results of operations are subject to seasonal fluctuations.

Due to our product portfolio covering 49 fruit categories as of the Latest Practicable Date, we are not subject to material fluctuations in seasonality. We have also implemented a procurement strategy to source fruits from over 100 places of origin to mitigate the negative impacts of seasonality as detailed in “Business — Seasonality”.

RISK FACTORS

Overall, the historical seasonality of our business has been relatively mild due to the rapid growth we have experienced and may increase further in the future. In addition, during the Track Record Period, with a product portfolio covering a variety of fruit categories, we also sourced fruits from over 100 places of origin to mitigate the negative impacts of seasonality underpinning the traditional supply chain model in the industry as detailed in “Business — Seasonality”. As a result, we do not expect to experience significant fluctuations in sales due to the seasonality of any particular fruit. Our financial condition and results of operations for future periods may continue to be subjected to the mild influence of seasonality, and the trading price of our shares may fluctuate from time to time accordingly due to seasonality.

Our success depends on the continuing efforts of our senior management team and our business may be harmed if their services discontinue.

Our success has been, and will continue to be, dependent on our ability to recruit and retain visionary and skillful senior management. The expertise, industry experience and contributions of our senior management are crucial to our long-term development. If any members of our senior management are unable or unwilling to continue in their present positions, we may not be able to find a replacement in a timely manner or at all. As a result, our business may be disrupted, our management quality may deteriorate and our results of operations may be materially and adversely affected.

Moreover, our ability to constantly source and sell high-quality fruits is partially attributable to a number of industrial experts and skilled employees who are familiar with and adept at our quality standards and processing techniques. Competition for experienced management and experts in our industry is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of these personnel or attract and retain additional high-quality senior executives and experts at a reasonable cost, and our business and results of operations may be materially and adversely affected.

Our performance depends on our ability to maintain good relationships with our employees, and any deterioration in relations with our employees, shortage of labor or material increase in wages may have an adverse effect on our results of operations.

Wages and employee benefits in China continue to increase. We may not be able to pass on such costs to our customers. We also cannot assure you that we will not experience any shortage in labor.

We strive to provide a safe and desirable working environment to our employees to prevent occupational hazards. However, we may be subject to liability claims, negative publicity and government investigation or intervention in relation to workplace safety or occupational hazards, particularly if our employees suffer personal injuries or casualties at our facilities or during the processing and sorting of our products. Such incidents could worsen our relationship with our employees and damage our brand and reputation.

RISK FACTORS

We cannot assure you that we will not have any labor disputes in the future. Any deterioration of our relationship with our employees could result in disputes, strikes, claims and relevant legal proceedings, which may disrupt our production and operations, and lead to loss of know-how and trade secrets. Any labor shortage could hinder our ability to maintain or expand our business operations, which may adversely affect our business operations and results of operations.

Failure of us, our employees, affiliates and business partners, such as suppliers and third-party couriers, to comply with anti-corruption laws and regulations and our anti-corruption policies and procedures could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties that could subject us to liabilities, fines and other penalties imposed by government authorities and negative publicity. Although we typically sign anti-corruption and anti-bribery agreements with our suppliers and customers, and have implemented internal controls and policies with regard to the review and approval of sales activities, interactions with business partners and government officials and other relevant matters, there can be no assurance that our controls and policies will prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activities by our employees, customers, suppliers or other third parties, including, but not limited to, those in violation of anti-corruption, anti-bribery laws or sanctions laws, could subject us to negative publicity that could severely damage our brand and reputation and, if conducted by our employees, could further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties could materially and adversely affect our business, financial condition, results of operations and prospects.

Any negative publicity regarding our Company, management team, employees or products, regardless of its veracity, could adversely affect our business.

As a fast-growing and multi-brand fruit company in China, our image is sensitive to the public's perception of us as a business in entirety, which includes not only the quality, safety and competitiveness of our products, but also our corporate management and culture. We cannot guarantee that no one will, intentionally or incidentally, distribute information about us, especially regarding the quality and safety of our products or our internal management matters, which may result in negative perception of us by the public. Any negative publicity about us, management team, employees or products, regardless of veracity, could lead to potential loss of consumer confidence or difficulty in retaining or recruiting talent that is essential to our business operations. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

RISK FACTORS

We may incur higher costs in connection with our branding and marketing efforts, and some marketing campaigns may not be effective in attracting or retaining consumers.

We continuously invest in our brands to further raise brand recognition and acceptance and engage in various marketing campaigns to promote our brands and products. See “Business — Sales and Marketing.” We mainly promote our brands and increase our market influence through the continued improvement of our fruit products. We also promote our products and brands through various online and offline marketing efforts. Moreover, as we continue to expand our sales and distribution channels, we expect our marketing expenses to continue to increase. In 2019, 2020 and 2021 and the five months ended May 31, 2022, our selling and distribution expenses amounted to RMB46.3 million, RMB92.7 million, RMB183.8 million and RMB83.9 million, respectively. Our selling and distribution expenses primarily consist of staff costs, marketing fees, leasing fees for short term leases, and cold storage renovation fee. However, we cannot guarantee that our marketing efforts will be well received by consumers and result in higher sales. In addition, marketing trends and approaches in the fresh fruit market in China are evolving, which requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and consumer preferences. Failure to refine our marketing approaches or to adopt new, more cost-effective marketing techniques could negatively affect our business, growth prospects and results of operations.

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

We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations, which covers all material aspects of our operations, including, but not limited to, the selection of suppliers, procurement of fruits, management and administration of daily operations, financial reporting and recording, investment management, provision of external guarantee, information disclosure and compliance with applicable laws and regulations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. Please see “Business — Risk Management and Internal Control” for further information on our internal control policies. Since these systems depend on implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISK FACTORS

We have limited insurance to cover our potential losses and claims.

We purchase and maintain insurance policies that we believe are customary with the standard commercial practice in our industry and as required under the relevant laws and regulations. However, we cannot guarantee that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Consistent with customary practice in China, we do not carry any business interruption, product liability, or litigation insurance. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our financial condition and results of operations. We may be required to bear our losses to the extent that our insurance coverage is insufficient.

Our operations are subject to the risks associated with acquisitions and investments in associates.

We may seek strategic growth through acquisitions and majority equity investments in the future. We can offer no assurance that we will be able to successfully integrate the newly acquired businesses, product categories or brands or operate the acquired businesses in a profitable manner. In addition, some of our newly invested businesses may have lower or negative margins, and are in the early stages of exploring, establishing and optimizing their business models. As such, we may incur share of losses of joint ventures and associates.

These acquisitions and investments may involve large transactions or realignment of existing investments. These transactions present financial, managerial and operational challenges, including, but not limited to:

- diversion of management attention from managing our existing business;
- difficulty with integrating businesses, operations, personnel, financial, data information and other systems;
- lack of experience and sources in operating in the geographical or product markets of the acquired business;
- increased levels of debt potentially leading to associated reduction in ratings of our debt securities and adversely impacting our various financial ratios;
- assumption of and exposure to unknown or contingent liabilities of the acquired businesses;
- potential loss of or disputes with key employees and consumers of the acquired business;

RISK FACTORS

- failure to achieve agreements with respect to common business goals and strategies with, and cooperation of, our joint venture partners; and
- the requirement that we periodically review the value at which we carry our investments in joint ventures and associates and, in the event we determine that the value at which we carry such investment has been impaired, the requirement to record a non-cash impairment charge, which charge could substantially affect our reported earnings in the period of such charge, would negatively impact our financial ratios and could limit our ability to obtain financing in the future.

We may not be able to adequately protect our intellectual property, or we may be subject to intellectual property infringement claims or other allegations by third parties, either of which could adversely affect our business and operations.

We rely on a combination of trademarks, copyrights, trade secrets and other intellectual property laws, as well as confidentiality agreements with part of our employees to protect our trademarks, copyrights, trade secrets and other intellectual property rights. Details of our intellectual property rights are set out in “Business — Intellectual Property” and “Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Our Material Intellectual Property Rights.” In particular, we have accumulated a variety of trade secrets and know-hows in connection with fruit quality grading and standardization, cultivation and post-harvest techniques, as well as quality control procedures. Such trade secrets and know-hows are one of our key competitive advantages and are extremely valuable for us to attain our current market position. However, such trade secrets and know-hows are usually not patented, either because they do not meet the patentability criteria or because we choose not to apply for patent registration to avoid the possibility of disclosing material information to the public in complying with the patent registration procedures. The level of protection available to trade secrets and know-hows is generally weaker than that of registered patents in the PRC. As such, we cannot assure you that our current protection measures are adequate to prevent third parties from accessing and using our trade secrets and know-hows without authorization. It is also likely that other third parties may develop the same or similar trade secrets and know-hows and seek protection from patent registrations in the PRC. Under such circumstances, our ability to continue to adopt such intellectual property rights may be materially limited.

We have registered the Chinese and English characters, as well as the logos, of our HONGJIUGUOPIN, HONGJIU FRUIT, “洪九果品” and “洪九” trademarks under several classes in China that are most related to our core business operations. We have also registered a number of other trademarks covering our existing and potential product brands, and there are a number of pending trademark registrations in China. However, we are not required, nor do we intend, to register our trademarks under all classes. Also, we cannot assure that we will not be involved in similar disputes, lawsuits or other legal proceedings that are brought by third parties for trademark or other intellectual property infringement in the future. We may have to

RISK FACTORS

incur significant expenses and divert substantial management time and resources to respond to those cases. Such legal proceedings may materially and adversely affect our brands and cause damage to our brand value, regardless of their merits.

As of the Latest Practicable Date, we were not aware of any material violations or infringements of our trademarks, copyrights, trade secrets or any other intellectual property rights.

We cannot ensure that third parties will not infringe our intellectual property rights. We may, from time to time, have to initiate litigation, arbitration or other legal proceedings to protect our intellectual property rights. Regardless of the judgment, such process would be lengthy and costly, would divert management's time and attention, and would seriously harm our business, financial conditions and results of operations.

On the other hand, we may be likely to encounter claims of infringement that interfere with our use of trade secrets and other intellectual property rights. Defending against such claims could be costly, and if we are unsuccessful in defending such claims, we may be prohibited from continuing to use such proprietary information in the future, or may be compelled to pay damages, royalties or other expenses for the use of such proprietary information. Any of the above could negatively affect our sales, profitability, operations and prospects.

We recorded a substantial amount of government grant during the Track Record Period, and any discontinuation, reduction or delay in payment of any government grants, tax refund or preferential tax treatments may have an adverse impact on our business.

During the Track Record Period, we recorded a substantial amount of government grant and benefited from certain preferential tax treatments. We recorded government grants of RMB14.9 million, RMB44.1 million, RMB83.2 million and RMB51.3 million in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. In particular, during the Track Record Period, People's Government of Shizhu Tujia Autonomous County (石柱土家族自治縣人民政府) granted subsidiaries amounting to RMB187.7 million, representing 6.9% of our total adjusted profit (non-IFRS measure), as rewards to our contribution to the local economic growth and our investments in local settlement base, which constitutes a majority portion of government grants. See "Financial Information — Description of Major Components of Our Results of Operations — Other Net Income" for details. We also benefit from preferential tax treatments. The PRC Enterprise Income Tax Law and its implementation rules have adopted a flat statutory enterprise income tax rate of 25% to all enterprises in China (if not entitled to any preferential tax treatment). During the Track Record Period, our PRC subsidiaries paid an enterprise income tax rate of 25%, except for certain branches which enjoyed preferential tax treatment. As of May 31, 2022, we and certain branches were entitled to an income tax rate of 15% pursuant to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies (《關於深入實施西部大開發戰略有關稅收政策問題的通知》). If we cease to be entitled to preferential tax treatment, our income tax expenses may

RISK FACTORS

increase, which would adversely affect our results of operations. We cannot assure you that we will continue to receive government grants, or preferential tax treatments at the same level or at all, in which case our business, financial condition and result of operations may be adversely affected.

The wide variety of payment methods that we accept subjects us to third-party payment processing-related risks.

We accept payments using a variety of methods, including bank transfers, online payments with credit cards and debit cards issued by major banks in China, and payment through third-party online payment platforms. For certain payment methods, we pay various service fees, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we accept. We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our consumers, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

We contract with independent labor service providers for outsourced personnel.

During the Track Record Period, we entered into service outsourcing agreement with independent labor service providers who designates staffs to work for sorting, packing and delivery, etc. We do not have any direct contractual relationship with these outsourced personnel. As such, we are advised by our PRC Legal Advisers that we are not liable to these workers under the Labor Law of the People's Republic of China. Since these outsourced personnel are not directly employed by us; however, our control over them is more limited as compared to our own employees. If any outsourced personnel fail to operate or perform their duties in accordance with our protocols, policies and business guidelines, our market reputation, brand image and results of operations could be materially and adversely affected. In addition, though we do not have any direct contractual relationship with these outsourced personnel, if the labor service provider violates any relevant requirements under the applicable PRC labor laws, regulations or their agreements with the personnel, such personnel may claim compensation from us as they provide services for us. As a result, we may incur legal or financial liability, and our market reputation, brand image and our business and financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

We are exposed to fair value changes for financial assets measured at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain, which has affected our results of operations in the past and may continue to affect our results of operations in the future.

During the Track Record Period, as part of our cash management, we invested in various wealth management products from time to time. We generally invested in short-term low-risk wealth management products issued by reputable commercial banks, which has experienced fluctuation of their fair values. As of December 31, 2019, 2020 and 2021, the financial assets we invested in were wealth management products measured at fair value through profit or loss (“FVPL”), and our financial assets measured at FVPL amounted to RMB260.6 million, RMB162.7 million and RMB10.0 million, respectively. For details, see “Financial Information — Net Current Assets/Liabilities — Financial Assets Measured at FVPL.” We may invest in wealth management products when we believe that we have sufficient cash and the potential investment returns are reasonable. We have put in place certain internal control procedures for reducing risks in relation to these investments. However, we cannot assure you that these procedures will be effective and adequate. We cannot assure you that we can recognize comparable fair value gains in the future and we may, on the contrary, recognize fair value losses, which would affect our result of operations for future periods. If we incur significant fair value losses, our results of operations, financial condition and prospects may be adversely affected.

Our financial assets measured at FVPL through profit or loss are subject to uncertainties in accounting estimates. Fluctuations in the changes in fair value of our financial assets measured at FVPL would affect our financial results. In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. See Note 15 to the Accountants’ Report in Appendix I to this Prospectus. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. As such, the financial assets measured at FVPL has been, and will continue to be, subject to uncertainties in valuation, which may not reflect the actual fair value of these financial assets and result in significant fluctuations in profit or loss from year to year.

We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are able to raise funds, the value of your investment in us may be negatively impacted.

We believe that, taking into account the net proceeds from the Global Offering and the financial resources available to us, including cash and cash equivalents, and our available banking facilities, we have sufficient working capital for the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the

RISK FACTORS

extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can obtain additional funds on terms acceptable to us, or at all.

In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including but not limited to our future financial condition, results of operations and cash flows, general market conditions for capital raising and debt financing activities, and economic, political and other conditions in China and elsewhere.

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

We may be required to make additional social insurance fund and housing provident fund contributions, as well as pay outstanding contributions and fines imposed by relevant governmental authorities.

Under the Social Insurance Law and the Regulations on the Administration of Housing Fund, PRC subsidiaries shall register with local social insurance agencies and register with applicable housing fund management centers and establish a special housing fund account in an entrusted bank. Both PRC subsidiaries and their employees are required to contribute to the Employee Benefits.

In accordance with the PRC Social Insurance Law and the Regulations on the Administration of Housing Fund and other relevant laws and regulations, China has established a social insurance system and other employee benefits including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing fund (collectively, the “**Employee Benefits**”). An employer shall pay the Employee Benefits for its employees in accordance with the rates provided under relevant regulations and shall withhold the social insurance and other Employee Benefits that should be assumed by the employees. As advised by our PRC Legal Advisers, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue. Besides, if there is failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

RISK FACTORS

During the Track Record Period and up to the Latest Practicable Date, we had not made full contributions to Employee Benefits for our employees. In 2019, 2020 and 2021 and the five months ended May 31, 2022, the aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB7.0 million, RMB2.6 million, RMB10.6 million and RMB3.8 million, respectively. We have not received any notice from the relevant government authorities or any claim or request from these employees in this regard and we had not make any provision for the shortfalls in our financial statements. For details, see “Business — Legal Proceedings and Compliance — Non-compliance Incidents.”

However, we cannot assure you that the relevant government authorities will not require us to pay the outstanding amount and impose late fees or fines on us. If we are otherwise subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition, and may face significant liabilities as a result.

We may be subject to litigation, disputes or claims of various types brought by our competitors, suppliers, customers, employees, business partners, lenders or other third parties. We cannot assure you that we will not be subject to similar disputes, complaints or legal proceedings in the future, which may damage our reputation, evolve into litigations or otherwise have a material adverse impact on our reputation and business. In addition, we may be subject to litigation, disputes, complaints or claims of various types due to incidents in relation to borrowing occurred prior to the Track Record Period. See “Directors, Supervisors and Senior Management — Further Information in Relation to the Directors — Loan Incident” for more details. Litigation is expensive, subjects us to the risk of significant damages, requires significant management time and attention and could have a material and adverse effect on our business, financial condition and results of operations. The outcomes of actions we institute may not be successful or favorable to us. Lawsuits against us may also generate negative publicity that significantly harms our reputation, which may adversely affect our customer base. We may also need to pay damages or settle lawsuits with a substantial amount of cash. While we do not believe that any currently pending proceedings are likely to have a material adverse effect on us, if there were adverse determinations in legal proceedings against us, we could be required to pay substantial monetary damages or adjust our business practices, which could have a material and adverse effect on our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in China’s economic, political and social conditions, as well as government policies, laws and regulations, could have a material and adverse effect on our business, financial condition, results of operations and prospects.

A majority of our business assets are located in China and almost all of our sales are currently derived from China. Accordingly, our results, financial position and prospects are subject, to a significant degree, to the economic, political and legal developments of China. Political and economic policies of the PRC government could affect our business and financial performance and may result in our being unable to sustain our growth.

In recent years, the PRC government implemented a series of laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control, and supervision and inspection of enterprises operating in our industry. See “Regulatory Overview” for more details. If the PRC government continues to impose stricter regulations on our industry, we could face higher costs in order to comply with those regulations, which may impact our profitability.

The economy of China differs from the economies of most developed countries in a number of respects, including the extent of government involvement, level of development, growth rate and control of foreign exchange. China has been reforming its economic system, and has also begun reforming the government structure in recent years. Although these reforms have resulted in significant economic growth and social progress, we cannot predict whether changes in China’s political, economic and social conditions, laws, regulations and policies will have any adverse effect on our future business, results or financial condition. Moreover, the PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over China’s economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our industry and our Company.

Uncertainties with respect to China’s legal system could have a material and adverse effect on us.

Most of our business and operations are conducted in China and are governed by China’s laws and regulations. China’s legal system is based on written statutes. Prior court decisions may only be cited for reference. Since 1979, the PRC government has enacted comprehensive laws, regulations and ordinances on economic affairs such as foreign investment, business organization and governance, commerce, taxation and trade. However, interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as those in other jurisdictions. As these laws and regulations continue to develop in response to the ever-changing economic and other conditions, and due

RISK FACTORS

to the limited number of cases published and the non-binding nature, any particular interpretation of China's laws and regulations may be unclear. Furthermore, we could not predict the future development of China's legal system and its impact on our business operations.

In addition, the Company Law of the People's Republic of China differs from the Company Law of Common Law jurisdictions such as Hong Kong and the U.S. in a number of important areas, in particular in relation to investor protection, such as collective litigations by shareholders and measures to protect non-controlling shareholders; restrictions of directors; disclosure requirements; different classes of shareholders' rights; proceedings at general meetings and payment of dividends. Our Articles of Association contain certain provisions incorporated in accordance with the Listing Rules. However, notwithstanding these provisions, we could not assure you that our investors are protected in the same way as they would be protected in the companies constituted in Common Law jurisdiction.

The PRC government policy on foreign investment in China may adversely affect our business and results of operations.

The investment activities of foreign investors in China are subject to certain industry regulations and additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》), the “**Negative List**”), issued by the NDRC and MOFCOM, sets out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited from foreign investment. The Negative List covers 12 industries, and any field not covered by the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, our Group's main business in China does not fall within the Negative List. However, as the Negative List could be updated in the future, there can be no assurance that the PRC government will not change its policies in a manner that would render part of our business in China within the Negative List. If we cannot obtain approval from relevant approval authorities to engage in a business in China which subsequently becomes prohibited or restricted for foreign investment, we may be forced to sell or restructure our business which has become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

Any significant changes in food safety regulations and related policies could affect our business.

The industry that we operate shall comply with the laws and regulations of food safety in China. Such regulations set out the safety standards for food and food additives, packaging and containers, the information required to be disclosed on packaging and the regulations on food production and siting, facilities and equipment used for transportation and sale of food. In recent years, the PRC government has been stepping up its supervision on food safety.

RISK FACTORS

According to the newly amended Food Safety Law of the People's Republic of China and the Regulations for the Implementation of the Food Safety Law of the People's Republic of China, food manufacturers and operators should act in accordance with laws, regulations and food safety standards to engage in production and operating activities, establish a sound food safety management system and take effective measures to prevent and control food safety risks, so as to ensure the food safety. This may increase compliance costs for suppliers, distributors and retailers in the fruit industry in China, including us. Failure to comply with the laws and regulations of food safety in China may result in corrective action ordered, fines, confiscation of the proceeds, suspension of food production and operation ordered, revocation of food production and operation permits by regulatory authorities, and, in extreme cases, criminal liability. Despite our current compliance with existing laws and regulations of food safety, if the Chinese government makes further changes to its supervision on food safety, our production, sale and distribution costs may increase, and we may not be able to successfully pass the additional costs on externally, which will have adverse impact on our business, financial condition and development prospects.

Governmental control of currency conversion, and restrictions on the remittance of RMB into and out of China, may limit our ability to pay dividends and other obligations, and adversely affect the value of your investment.

The PRC government imposes control on the convertibility of RMB into foreign currencies. We receive the vast majority of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency denominated obligations. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated by the PRC government in the future that would have the effect of further restricting the remittance of RMB into or out of China.

RISK FACTORS

Implementation of the labor laws and regulations in China may adversely affect our business and results of operations. Failure to fully comply with PRC labor-related laws may expose us to potential liabilities and penalties.

Pursuant to the PRC Labor Contract Law (《中華人民共和國勞動合同法》), or the Labor Contract Law, that took effect in January 2008, with its amendment that took effect in July 2013, and its implementation rules that took effect in September 2008, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Due to lack of detailed interpretative rules and broad discretion of the local competent authorities, it is uncertain as to how the Labor Contract Law and its implementation rules will affect our current employment policies and practices. Our employment policies and practices may violate the Labor Contract Law or its implementation rules, and we may be subject to related penalties, fines or legal fees. Compliance with the Labor Contract Law and its implementation rules may increase our operating expenses, in particular our personnel expenses. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may also limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

On October 28, 2010, the Standing Committee of the NPC promulgated the PRC Social Insurance Law (《中華人民共和國社會保險法》), or the Social Insurance Law, which became effective on July 1, 2011 and was amended on December 29, 2018 and took effect on the same date. According to the Social Insurance Law, employers should make the social insurance registration and employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. Recently, the PRC government enhanced its measures relating to social insurance collection, which may lead to stricter enforcement.

Pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and which took effect on the same date, and which was amended, supplemented or otherwise modified from time to time and was lately amended on March 24, 2019 to take effect on the same date, employers must open housing provident fund accounts and pay housing provident funds for their employees. However, our social insurance and/or housing provident fund policies and practices may in the future be found to have violated relevant laws and/or regulations, and we may, therefore, be subject to related administrative measures, penalties, fines or legal fees. Compliance with the relevant laws and regulations may increase our operating expenses, in particular our personnel expenses.

As the interpretation and implementation of labor laws and regulations are still evolving, we cannot assure you that our employment policy will at all times be deemed to be in full compliance with labor-related laws and regulations in China, which may subject us to labor

RISK FACTORS

disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC and most of our business, assets and operations are located in China. In addition, a majority of our Directors, Supervisors and executive officers reside in China, and substantially all of the assets of such Directors, Supervisors and executive officers are located in China.

On July 14, 2006, the Supreme People’s Court of PRC and the government of Hong Kong Special Administrative Region 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 (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute in relation to a specific legal relationship that occurred or may occur. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement remain uncertain.

On January 18, 2019, the Supreme People’s Court of PRC and the government of Hong Kong Special Administrative Region 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 (《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 further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the PRC. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People’s Court of PRC and the completion of the relevant legislative procedures in Hong Kong Special Administrative Region. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective, it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in

RISK FACTORS

the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for you to effect service of process against our assets or management in China in order to seek recognition and enforcement of foreign judgments in China.

Furthermore, China has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgments awarded by U.S. courts, the United Kingdom or most other western countries, and Hong Kong has no arrangement for the reciprocal enforcement of judgments with the U.S. As a result, recognition and enforcement in the PRC or Hong Kong of judgment of a court in the U.S. or any other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

Although we will be subject to the Listing Rules and the Takeovers Code upon the listing of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Takeovers Code do not have the force of law in Hong Kong.

Awards made by the PRC arbitral authorities (including CIETAC) recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong subject to provisions of the Arbitration Ordinance of Hong Kong. Hong Kong arbitration awards are also enforceable in China, subject to the satisfaction of PRC legal requirements. We cannot assure you that any action brought in China by holders of H Shares to enforce a Hong Kong arbitration award made in favor of holders of H Shares would succeed.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that, in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For example, under the Individual Income Tax Law of the PRC (the “**IIT Law**”) (《中華人民共和國個人所得稅法》), which was amended on June 30, 2011 and came into effect on September 1, 2011, foreign nationals who have domiciles in the PRC, or have no domicile in China but have resided in the PRC for one year or more, would be subject to PRC individual income tax on their income gained within or outside the PRC. On August 31, 2018, the Standing Committee of NPC approved the amendment of the IIT Law, which became effective on January 1, 2019. Under the amended IIT law, foreign nationals who have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year would be subject to

RISK FACTORS

PRC individual income tax on their income gained within or outside the PRC. Further adjustments or changes to PRC tax laws and regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations.

We are a PRC enterprise and we are subject to PRC tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes. Under the EIT Law of the PRC, our offshore subsidiaries may be subject to PRC income tax on their worldwide taxable income.

Under the Current PRC tax laws and regulations, as a PRC-incorporated company, under applicable PRC tax laws, we and certain branches enjoyed preferential tax treatment as detailed in “We recorded a substantial amount of government grant during the Track Record Period, and any discontinuation, reduction or delay in payment of any government grants, tax refund or preferential tax treatments may have an adverse impact on our business” above. Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividend income derived in China under the IIT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the non-PRC resident individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《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》) (Cai Shui [1994] No. 20) issued by the MOF and SAT on May 13, 1994, the income gained by foreign individuals from dividends and bonuses of foreign-invested enterprises are exempted from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院轉批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》). 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》). According to these two documents, the PRC government is planning to cease foreign individuals’ tax exemption for dividends obtained from foreign invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT. Considering these uncertainties, non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the 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》) (Cai Shui [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, gains realized by individuals from transfer of the

RISK FACTORS

shares of listed enterprises continues to be exempted from individual income tax. As of the Latest Practicable Date, no aforesaid provisions have expressly provided whether individual income tax shall be levied from non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those that have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law and its implementation regulations, dividends paid by us (including payments via CCASS) and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a 10% rate unless otherwise reduced or exempted by relevant tax treaties or similar arrangement. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《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 [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends of the year of 2008 and onwards payable to non-PRC resident enterprise holders of H Shares will be 10%. Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement 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 such refund will be subject to the PRC tax authorities' approval.

Despite the arrangements mentioned above, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities and the PRC tax laws and regulations may also change, which may adversely affect the value of your investment in our H Shares.

Under the EIT Law, an enterprise established outside the PRC with “de facto management bodies” within China is considered a “resident enterprise,” meaning that it is treated in a manner similar to a Chinese enterprise for PRC EIT purposes. The implementing rules of the EIT Law define “de facto management bodies” as “management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal, and

RISK FACTORS

minutes of board meetings and shareholders' meetings; and (iv) half or more of directors or senior management having voting rights. SAT has subsequently provided further guidance on the implementation of Circular 82. As substantially all of the operational management of our Company is currently based in the PRC, our offshore subsidiaries may be deemed to be "PRC resident enterprises" for the purpose of the EIT Law. If our offshore subsidiaries are deemed PRC resident enterprises, they could be subject to the EIT at 25% on our global income, except that the dividends we receive from our PRC subsidiaries may be exempt from the EIT to the extent such dividend income constitutes "dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise". It is, however, unclear what type of enterprise would be deemed a "PRC resident enterprise" for such purposes. The EIT on our offshore subsidiaries' global income could significantly increase our tax burden and adversely affect our cash flows and profitability.

Any possible conversion of our Domestic Shares into H Shares in the future could increase the number of our H Shares in the market and negatively impact the market price of our H Shares.

We have applied to the CSRC for the conversion of a portion of our Domestic Shares into H Shares. If the conversion is approved by the CSRC, such portion of the Domestic Shares will be converted into H Shares upon listing, which will be listed and traded on the Stock Exchange. If our separate application is approved by the CSRC, our remaining Domestic Shares may also be converted into H Shares in the future, and such converted shares may be listed or traded on an overseas stock exchange, provided that, prior to the conversion and trading of such converted shares, any requisite internal approval by our Shareholders in a general meeting is duly obtained and the approvals from relevant PRC regulatory authorities shall be obtained. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of listing of the public offering. Therefore, upon obtaining the requisite approval, our Domestic Shares may be traded, after the conversion, in the form of H Shares on the Hong Kong Stock Exchange one year after this Global Offering, which at that time could further increase the number of our H Shares available in the market and may negatively impact the market price of our H Shares.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and an active trading market may not develop.

Before the Global Offering, there was no public market for our Shares. The initial Offer Price range of our H Shares, and the Offer Price, will be the result of negotiations between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and us.

RISK FACTORS

In addition, while we have applied to have our Shares listed on the Stock Exchange, there can be no guarantee that (i) an active trading market for our Shares will develop, or (ii) if it does, that it will be sustained following the completion of the Global Offering, or (iii) that the market price of our H Shares will not decline below the Offer Price. You may not be able to resell your shares at a price that is attractive to you, or at all.

The price and trading volume of our H Shares may be volatile which could result in substantial losses for investors purchasing our H Shares in the Global Offering.

The price and trading volume of our H Shares may be volatile. The market price of our Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- actual or anticipated variations of our results of operations;
- loss of key fruit suppliers;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, depositions, strategic alliances or joint ventures;
- addition or departure of key senior management or other key personnel;
- fluctuations in stock market price and volume;
- regulatory or legal developments, including involvement in litigation;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, China and elsewhere in the world.

In addition, stock markets and the shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may materially and adversely affect the market price of our Shares.

RISK FACTORS

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

The future sale of a significant number of our H Shares in the public market after the Global Offering, or the possibility of such sales, by our Pre-IPO Investors could materially and adversely affect the market price of our H Shares and could materially impair our future ability to raise capital through offerings of our H Shares. Although such Pre-IPO Investors have agreed to a lock-up on their H Shares (including the H Shares converted from Domestic Shares upon listing, if applicable), any major disposal of such H Shares by any of such Pre-IPO Investors upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

We are currently applying for part of our Domestic Shares to circulate on the Hong Kong Stock Exchange after the completion of the Global Offering. According to the Company Law, the Shares issued by us prior to the Global Offering are restricted from trading within one year from the Listing Date. Such restriction from trading will limit the number of H Shares to be circulated on the market, which will, in turn, adversely affect the liquidity of the H Shares during such restriction period. If our application for the circulation of our relevant Domestic Shares on the Hong Kong Stock Exchange after the completion of the Global Offering is successful, any future sales (after the expiration of the restrictions set out above) of Domestic Shares by relevant Shareholders in the public market may affect the market price of the Shares. Moreover, if we convert a substantial amount of domestic shares into H Shares to be listed and traded in the future at the Stock Exchange of Hong Kong, it may further increase the supply of the H Shares in the market, which may affect the market price of the H Shares. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders or other existing Shareholders, or the Shares available for sale by our Controlling Shareholders or other existing Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

Purchasers of our H Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The initial Offer Price of our H Shares is higher than the net tangible asset value per H Share of the outstanding H Shares issued to our existing Shareholders immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in terms of the pro forma net tangible asset value. In addition, we may consider offering and issuing 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 H Share if we issue additional H Shares in the future at a price that is lower than the net tangible asset value per H Share.

RISK FACTORS

Since there will be a gap of several days between pricing and trading of our H Shares, holders of our Shares are subject to the risk that the price of our Shares could fall when the trading of our Shares commences.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be about four Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price or value of our H Shares could fall when trading commences as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

There can be no assurance as to whether we will pay dividends in the future.

We did not declare any dividends during the Track Record Period. There is no assurance as to whether we will pay dividends in the future. 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 dividend distribution, if any, is not indicative of any future dividend distribution policy and potential investors should be aware that the amount of dividends paid, if any, should not be used as a reference or basis upon which future dividends are determined. See “Financial Information — Dividend” for more details of our dividend policy.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our public shareholders’ best interests.

The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including, but not limited to, mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors and other significant corporate actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of our other shareholders other than pursuant to the deed of non-competition. Consequently, our Controlling Shareholders’ interests may not necessarily be

RISK FACTORS

in line with the best interests of our Company or the interests of our other Shareholders, which may have a material and adverse effect on our Company's business operations and the price at which our Shares are traded on the Stock Exchange.

Fluctuations in exchange rates may result in foreign currency exchange losses.

During the Track Record Period, we sourced fruit from over 100 places of origin in China, Thailand and Vietnam. As such, except for Renminbi, a significant portion of our purchases of fruit were denominated in Thai Baht, the lawful currency of Thailand, and Vietnamese dong, the lawful currency of Vietnam, during the Track Record Period. Meanwhile, the sales to our customers in China were billed and settled in Renminbi during the Track Record Period. In addition we had financial assets or liabilities denominated in foreign currencies, including US dollars, Thai Baht and Vietnamese Dong, which were subject to the turbulence of foreign exchange rate during the Track Record Period. In the future, when we plan to expand our penetration into the foreign places of origin as well as sales and distribution network abroad, we might further expand the use of foreign currencies, including but not limited to, US dollars, Thai Baht and Vietnamese dong, and the fluctuations in exchange rates may result in foreign currency exchange losses. Indeed, we could adjust the prices of our fruit products to reflect material fluctuations in the exchange rates of Renminbi against the U.S. dollar and other foreign currencies. Therefore, over periods of time, we believe that the impact exchange rate fluctuations will have on our cost of sales will largely be passed on to our customers in the form of higher or lower prices. That being said, our results of operations are affected by fluctuations in currency exchange rates in both sourcing and selling locations beyond our control.

The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in China's and international political and economic conditions, as well as supply and demand in the domestic market. In July 2005, the PRC government changed its decades-old policy of pegging the value of Renminbi to the U.S. dollar, and Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar and other foreign currencies in the future. It is difficult to predict how market forces or PRC, U.S. or other countries' government policy may impact the exchange rate of Renminbi against the U.S. dollar and other foreign currencies in the future.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a significant appreciation of Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies.

RISK FACTORS

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

RISK FACTORS

Certain statistics contained in this Prospectus are derived from a third-party report and publicly available official sources.

This Prospectus, particularly the section headed “Industry Overview” in this Prospectus, contains information and statistics, including but not limited to information and statistics relating to China and the fresh fruit industry and market. Such information and statistics have been derived from various official government and other publications and from a third-party report prepared by CIC commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. We cannot assure that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. Therefore, you should not unduly rely upon the industry facts and statistics contained in this Prospectus.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this Prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this Prospectus, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or

RISK FACTORS

publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this Prospectus and the Global Offering.

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

This Prospectus 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 Prospectus 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 Prospectus, 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 Prospectus are qualified by reference to this cautionary statement.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors (including any proposed director who is named as such in this Prospectus) collectively and individually full responsibility, includes particulars given in compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

CSRC APPROVAL

The CSRC issued a letter of acceptance on September 17, 2021 and an approval letter on January 13, 2022 for the Global Offering, the Conversion of Domestic Shares into H Shares and the making of the application to list our H Shares on the Stock Exchange. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this Prospectus.

INFORMATION ON THE GLOBAL OFFERING

This Prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this Prospectus contains the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 1,401,400 Offer Shares and the International Offering of initially 12,611,100 Offer Shares (subject, in each, to reallocation on the basis as set out in the section headed “Structure of the Global Offering” in this Prospectus).

The Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and on the terms and subject to the conditions set out herein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this Prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Prospectus or that the information in this Prospectus is correct as of any subsequent time.

For details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization, see “Structure of the Global Offering.”

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

INFORMATION ON THE CONVERSION OF DOMESTIC SHARES INTO H SHARES

The Company has applied for the Conversion of Domestic Shares into H Shares, which involves H Shares to be converted from 296,516,495 Domestic Shares in aggregate held by all of our Shareholders prior to the Listing. Please refer to “History, Development and Corporate Structure” and “Share Capital” for details of our Shareholders and their interests in the Company and relevant procedures for the Conversion of Domestic Shares into H Shares. Such H Shares to be converted from Domestic Shares are restricted from trading for a period of one year after the Listing.

The Conversion of Domestic Shares into H Shares has been approved by the CSRC on January 13, 2022 and is still subject to the approval by the Stock Exchange.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in “How to Apply for Hong Kong Offer Shares” in this Prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this Prospectus.

No action has been taken to permit a public offering of the Shares outside Hong Kong or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

UNDERWRITING

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. For further details on the Underwriters and the underwriting arrangements, see “Underwriting.”

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from Domestic Shares. Dealings in the H Shares on the Stock Exchange are expected to commence on Monday, September 5, 2022. Except as otherwise disclosed in this Prospectus, no part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted in to CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering and converted from Domestic Shares will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of the Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

According to the Guide to the Program for "Full Circulation" of H shares promulgated by CSDC on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;
- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws, rules and regulations to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, senior officers whereby such Directors, Supervisors, senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined in the Listing Rules) of any of the Directors, Supervisors or an existing Shareholder of the Company or a nominee of any of the foregoing.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this Prospectus and its Chinese translation, the English version of this Prospectus shall prevail. However, for ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this Prospectus in both the Chinese and English languages. If there is any inconsistency, the Chinese names shall prevail.

ROUNDING

Certain amounts and percentages figures included in this Prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies between totals and sums of amounts listed in any table are due to rounding.

CURRENCY TRANSLATION

Solely for your convenience, this Prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this Prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK\$1.00 to RMB0.86441, Renminbi into U.S. dollars at the rate of US\$1.00 to RMB6.78020 and Hong Kong dollars into U.S. dollars at the rate of US\$1.00 to HK\$7.84373. The RMB to HK\$ and US\$ to RMB exchange rates are quoted by the PBOC for foreign exchange transactions prevailing on August 18, 2022.

No representation is made that any amounts in RMB or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has applied for the following waivers from strict compliance with the relevant requirements under the Listing Rules as set out below.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. The management, principal business and operations and assets of our Company are primarily located outside Hong Kong. The principal management headquarters of our Group are primarily based in the PRC. None of the executive Directors is a Hong Kong permanent resident or is ordinarily based in Hong Kong. As a result, our Company does not, and will not, in the foreseeable future, have sufficient management presence in Hong Kong as required under Rules 8.12 and 19A.15 of the Listing Rules. Furthermore, it would be impractical and commercially unnecessary for our Company to appoint additional executive Directors who are ordinarily resident in Hong Kong or to relocate the existing PRC based executive Directors to Hong Kong. Accordingly, our Company has 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 on the condition of the following arrangements for maintaining regular communication with the Stock Exchange:

- (i) Our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules (collectively, the “**Authorized Representatives**”), who will act as our Company’s principal channel of communication with the Stock Exchange. The Authorized Representatives are Ms. Tan Bo, one of our executive Directors, who is ordinary resident in the PRC, and Ms. Lai Siu Kuen, one of the joint company secretaries of our Company, who is ordinary resident in Hong Kong. Although Ms. Tan Bo resides in the PRC, she possesses valid travel documents to visit Hong Kong and is able to renew such travel document when it expires. Accordingly, each of the Authorized Representatives will be available to meet with the Stock Exchange within a reasonable period of time upon request of the Stock Exchange and will be readily contactable by telephone and email.
- (ii) Each of the Authorized Representatives has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. Each Director has provided his or her respective office phone numbers, mobile phone numbers, facsimile numbers and email addresses (where available) to the Authorized Representatives and the Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iii) Our Directors, who are not ordinarily resident in Hong Kong, have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and are able to meet with the Stock Exchange within a reasonable period of time.
- (iv) Our Company has appointed Red Sun Capital Limited as its compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules to act as an additional channel of communication with the Stock Exchange for a period commencing from the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The Compliance Adviser will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing and have full access at all time to the Authorized Representatives and the Directors.
- (v) Any meeting between the Stock Exchange and our Directors will be arranged through the Authorized Representatives or the Compliance Adviser or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any changes in the Authorized Representatives and the Compliance Adviser.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our Company must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Pursuant to Rule 3.28 of the Listing Rules, our Company must appoint as its company secretary an individual 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.

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)).

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In assessing “relevant experience”, the Stock Exchange will consider the followings of the individual:

- (i) length of employment with the issuer and other issuers and the roles he or she played;
- (ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, 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.

Our Company has appointed Ms. Deng Haoyu and Ms. Lai Siu Kuen as the joint company secretaries on August 21, 2021. Ms. Deng Haoyu joined our Group in April 2020 and has been serving as the director of the Board office since April 2021 and is responsible for investor relationship management, corporate governance and shareholding management as assigned by the Board and the Chairperson of the Board. As Ms. Deng Haoyu does not possess the requisite qualifications as required by Rule 3.28 of the Listing Rules, our Company has appointed Ms. Lai Siu Kuen, who is a Hong Kong resident and possesses the qualification and relevant experience as stipulated under Rule 3.28 of the Listing Rules, to be joint company secretary of our Company. For more details of the biography of Ms. Deng Haoyu and Ms. Lai Siu Kuen, please see the section headed “Directors, Supervisors and Senior Management — Joint Company Secretaries” in this Prospectus.

Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, our Company has put in place the following arrangements:

- (i) Ms. Lai Siu Kuen, one of the joint company secretaries of our Company who satisfies the requirements under Rule 3.28 of the Listing Rules, will assist Ms. Deng Haoyu so as to enable her to discharge her duties and responsibilities as a joint company secretary of our Company. Given Ms. Lai Siu Kuen’s relevant experiences, she will be able to advise both Ms. Deng Haoyu and our Company on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong.
- (ii) Our Company undertakes to re-apply to the Stock Exchange in the event that Ms. Lai Siu Kuen ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iii) Ms. Deng Haoyu, one of the joint company secretaries of our Company, will be assisted by Ms. Lai Siu Kuen for a period from the Listing Date to the end of three years after the Listing Date, which should be sufficient for her to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules.
- (iv) Ms. Lai Siu Kuen will communicate with Ms. Deng Haoyu on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of our Company. Ms. Lai Siu Kuen will work closely with, and provide assistance to Ms. Deng Haoyu with a view to discharging her duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' general meetings.
- (v) Pursuant to Rule 3.29 of the Listing Rules, Ms. Deng Haoyu and Ms. Lai Siu Kuen will also attend each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Deng Haoyu and Ms. Lai Siu Kuen will be advised by the legal advisers of our Company as to Hong Kong laws and the Compliance Adviser of our Company as and when appropriate and required.
- (vi) Our Company will ensure that Ms. Deng Haoyu has access to the relevant trainings and support to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Ms. Deng Haoyu has undertaken to attend such trainings.

Accordingly, our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.17 and 3.28 of the Listing Rules, provided that Ms. Lai Siu Kuen will act as a joint company secretary and provide assistance to Ms. Deng Haoyu. The waiver is valid for an initial period of three years commencing from the Listing Date, and will be revoked immediately if Ms. Lai Siu Kuen ceases to provide assistance and guidance to Ms. Deng Haoyu. The waiver can also be revoked if there are material breaches of the Listing Rules by our Company pursuant to the Guidance Letter HKEx-GL108-20. Prior to the expiry of the initial three-year period, our Company will re-evaluate the qualifications and experiences of Ms. Deng Haoyu. Upon the determination of our Company that no on-going assistance to Ms. Deng Haoyu is necessary, our Company will demonstrate to the Stock Exchange that, with the assistance of Ms. Lai Siu Kuen over such three-year period, Ms. Deng Haoyu has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Listing Rules. The Stock Exchange will then re-evaluate whether any further waiver would be necessary.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS AND SUPERVISORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
Executive Directors		
Mr. Deng Hongjiu (鄧洪九)	7-3#, Block Jia-C No. 6 Jiaotong Street Yuzhong District Chongqing PRC	Chinese
Ms. Jiang Zongying (江宗英)	7-3#, Block Jia-C No. 6 Jiaotong Street Yuzhong District Chongqing PRC	Chinese
Mr. Peng He (彭何)	Room 1-15-6 Unit 1, Block 1-10 Longhu Zidu Town No. 6 Yusong 1st Branch Road Longshan Sub-district Yubei District Chongqing PRC	Chinese
Mr. Yang Junwen (楊俊文)	18-2 Unit 2, Block 1 No. 55 Zheng Street Xiejiawan Jiulongpo District Chongqing PRC	Chinese
Ms. Tan Bo (譚波)	1-2-2# No. 3 Longfeng Street Shuanglong Town Changshou District Chongqing PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
Non-executive Directors		
Mr. Xia Bei (夏蓓)	Room 2101, Block 2 LN 211 Xingfu Road Changning District Shanghai PRC	Chinese (Hong Kong)
Mr. Dong Jiaxun (董佳訊)	Room 1003 Block 3 Phase I, Jindi Yidunshan No. 298 Jinyi Road Hongli Community Qianshan Sub-district Xiangzhou District Zhuhai, Guangdong Province PRC	Chinese
Mr. Chen Tongtong (陳彤彤)	Room 321, Block 7 Xixi Bafangcheng Wenyi West Road Wuchang Sub-district Yuhang District Hangzhou, Zhejiang Province PRC	Chinese
Independent Non-executive Directors		
Ms. Fan Weihong (范偉紅)	Room 2-2 Unit 2, Block 24 Tiangao Hongyuan No. 139 Baosheng Avenue Chongqing PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
Ms. Liu Xiuqin (劉秀琴)	Room 1-1 Unit 1, Block 25 No. 6 Jiajing Avenue Caijiagang County Beibei District Chongqing PRC	Chinese
Mr. An Rui (安銳)	Room 2-2-2 Block 25 Tiangao Hongyuan No. 139 Baosheng Avenue Huixing Sub-district Yubei District Chongqing PRC	Chinese
Mr. Liu Anzhou (劉安洲)	Flat A, 23/F Lime Habitat 38 Ming Yuen West Street North Point Hong Kong	Chinese (Hong Kong)
Supervisors		
Ms. Yu Lixia (余利霞)	Room 15-9 Block 2 No. 881 Xingai Road Yubei District Chongqing PRC	Chinese
Mr. Huang Hua (黃華)	Room 1303, Floor 13 Unit 1, Block 18 No. 31 Fenghuang West Seventh Road Qingbaijiang District Chengdu, Sichuan Province PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
Mr. Wu Di (吳迪)	Room 1703 Floor 17, Block G Phase III, Fulong Plaza No. 159-2 Binhai Avenue Xiuying District Haikou, Hainan Province PRC	Chinese
Mr. Deng Yinmei (鄧銀美)	Unit 1, Group 10 Dong Street Gelan County Changshou District Chongqing PRC	Chinese
Mr. Chen Xiangzeng (陳向曾)	Room 2-7-2 Block 3 No. 50 Ximo Road Dongjiawan Fuling District Chongqing PRC	Chinese

For more information of the Directors and Supervisors, please see “Directors, Supervisors and Senior Management.”

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Joint Global Coordinators

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road
Central, Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Joint Bookrunners

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Citigroup Global Markets Asia Limited
*(in relation to the Hong Kong Public
Offering only)*
50/F, Champion Tower
3 Garden Road
Central, Hong Kong

Citigroup Global Markets Limited
*(in relation to the International Offering
only)*
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

UBS AG Hong Kong Branch

52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central, Hong Kong

**China Merchants Securities (HK) Co.,
Limited**

48/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

ICBC International Capital Limited

37/F ICBC Tower
3 Garden Road
Hong Kong

**Guotai Junan Securities (Hong Kong)
Limited**

26/F-28/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

**China Galaxy International Securities
(Hong Kong) Co., Limited**

20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

Joint Lead Managers

**China International Capital Corporation
Hong Kong Securities Limited**

29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Citigroup Global Markets Asia Limited

(in relation to the Hong Kong Public Offering only)

50/F, Champion Tower
3 Garden Road
Central, Hong Kong

Citigroup Global Markets Limited

(in relation to the International Offering only)

33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

UBS AG Hong Kong Branch

52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central, Hong Kong

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

ICBC International Securities Limited

37/F ICBC Tower
3 Garden Road
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

26/F-28/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited

20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

Silverbricks Securities Company Limited

Rooms 1004-1006, 10/F., China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong

Legal Advisers to our Company

As to Hong Kong and United States laws:

Paul Hastings

22/F, Bank of China Tower
1 Garden Road
Hong Kong

As to PRC laws:

Zhong Lun Law Firm

22-31/F, South Tower of CP Center
20 Jin He East Avenue
Chaoyang District
Beijing
PRC

As to PRC laws in respect of the Loan Incident:

Chongqing Sound Law Firm

19-4, Block 2
Hengda Zhongyu Plaza
No. 90 Hongjin Avenue
Longxi Street, Yubei District
Chongqing
PRC

Legal Advisers to the Sole Sponsor and the Underwriters

As to Hong Kong and United States laws:

Clifford Chance

27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC laws:

Fangda Partners

24/F, HKRI Centre Two
HKRI Taikoo Hui
288 Shi Men Yi Road
Shanghai
PRC

**Independent Auditor and Reporting
Accountants**

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Industry Consultant

**China Insights Industry Consultancy
Limited**

10F, Block B
Jing'an International Center
88 Puji Road
Jing'an District
Shanghai
PRC

Receiving Banks

CMB Wing Lung Bank Limited

45 Des Voeux Road Central
Hong Kong

**Standard Chartered Bank (Hong Kong)
Limited**

18/F, Standard Chartered Tower
388 Kwun Tong Road, Kowloon
Hong Kong

China CITIC Bank International Limited

80/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

CORPORATE INFORMATION

Registered office	509-36 Industry Incubator Building Baiyan Group of Chengnan Residential Committee Nanbin Town Shizhu Tujia Autonomous County Chongqing PRC
Headquarters and Principal Place of Business in the PRC	22/F, Block B Zhongtiefenghui Donghu South Road Yubei District Chongqing PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	<u>http://www.hjfruit.com/</u> (information contained in this website does not form part of this Prospectus)
Joint Company Secretaries	Ms. Deng Haoyu (鄧浩宇) 7-3#, Block Jia-C No. 6 Jiaotong Street Yuzhong District Chongqing PRC Ms. Lai Siu Kuen (黎少娟) (FCG, FCS) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

CORPORATE INFORMATION

Authorized Representatives	Ms. Tan Bo (譚波) 1-2-2# No. 3 Longfeng Street Shuanglong Town Changshou District Chongqing PRC
	Ms. Lai Siu Kuen (黎少娟) (FCG, FCS) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Strategic and Investment Decision Committee	Mr. Deng Hongjiu (鄧洪九) (<i>Chairperson</i>) Mr. An Rui (安銳) Mr. Yang Junwen (楊俊文)
Remuneration and Evaluation Committee	Mr. Liu Anzhou (劉安洲) (<i>Chairperson</i>) Mr. An Rui (安銳) Ms. Tan Bo (譚波)
Audit Committee	Ms. Fan Weihong (范偉紅) (<i>Chairperson</i>) Mr. An Rui (安銳) Ms. Liu Xiuqin (劉秀琴)
Nomination Committee	Mr. An Rui (安銳) (<i>Chairperson</i>) Ms. Liu Xiuqin (劉秀琴) Ms. Jiang Zongying (江宗英)
Compliance Adviser	Red Sun Capital Limited <i>A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i> Room 3303, 33rd Floor, West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong

CORPORATE INFORMATION

H Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bank

Industrial and Commercial Bank of China
Chongqing Lianglukou Branch
No. 55-1 Chongqing Village
Yuzhong District
Chongqing
PRC

INDUSTRY OVERVIEW

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by CIC which was commissioned by us, unless otherwise indicated. We believe that the sources of such information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives, nor is any representation given as to the accuracy or completeness of such information and statistics.

SOURCES OF THE INDUSTRY INFORMATION

CIC was commissioned to conduct an analysis of, and to report China's fresh fruit industry at a fee of approximately RMB880,000. The commissioned report has been prepared by CIC independent of the influence of the Company and other interested parties. CIC's services include industry consulting, commercial due diligence, strategic consulting, etc. Its consulting team has been tracking the latest market trends across various industries, where it has relevant and insightful market intelligence.

CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics, Chinese Government releases, etc. The market projections in the commissioned report are based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trajectory during the forecast period, accompanied by continuing urbanization; (iii) relevant key industry drivers are likely to drive the fresh fruit market (e.g., growing purchasing power and urbanization rate, increasing attention on health and wellness, and continued consumption upgrades) in China during the forecast period; and (iv) there is no extreme force majeure or unforeseen set of industry regulations in which the market may be affected in either a dramatic or fundamental way.

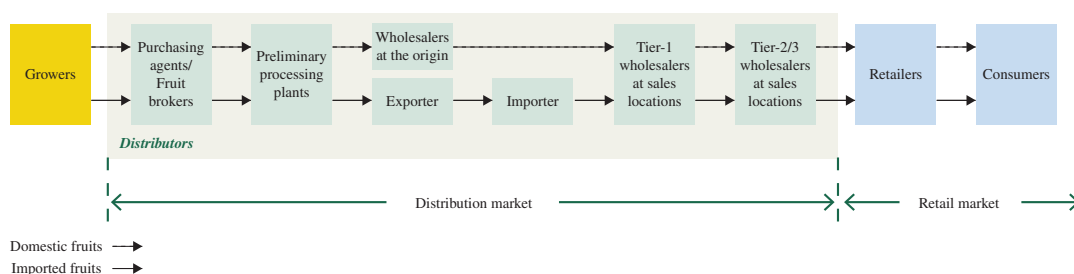
INDUSTRY OVERVIEW

Unless otherwise specified, all data and forecasts contained in this section are derived from the CIC Report. The report has also incorporated actual and potential impact of the COVID-19 outbreak on our industry. The Directors have confirmed that there has been no occurrence of adverse change in the overall market information that would subject the data to significant restrictions, contradiction or negative effects since the date of the consultancy report.

CHINA'S FRESH FRUIT VALUE CHAIN

China's fresh fruit market currently comprises upstream fresh fruit growers, midstream distributors and downstream retailers. First, purchasing agents and/or fruit product brokers will contact the orchard to handle fruit harvesting and primary processing. After that, wholesalers at the places of origin will purchase from a number of the agents and brokers and, in turn, sell the procured fruits to the Tier-1 wholesalers located in places of sale. These Tier-1 wholesalers then sell the products to regional Tier-2 or Tier-3 distributors who further distribute fresh fruits to various retail channels for final consumption. Fresh fruit distributors can benefit from the expansion of consumption scale brought about by new retail trends, and can flexibly adjust their sales strategies in light of changes in retail trends to meet the needs of consumers.

Overview of China's fresh fruit value chain, 2021



Source: CIC

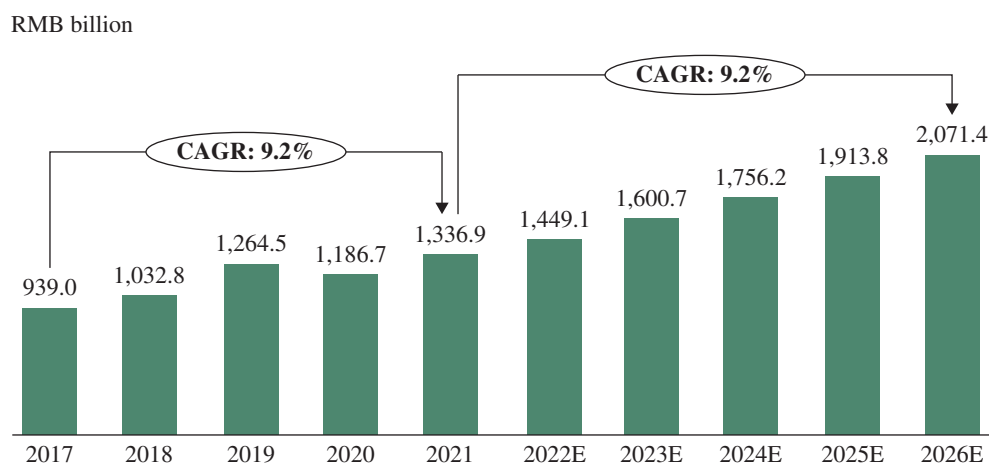
INDUSTRY OVERVIEW

OVERVIEW OF CHINA'S FRESH FRUIT RETAIL MARKET

Market Size of Fresh Fruit Retail Market and its Future Growth Potential

China's economy has surged in recent decades, resulting in the fast development of urbanization and an increase in per capita disposable income. After addressing their basic necessities, consumers have shifted their focus from “being full” (吃得飽) in the past to “eat well” (吃得好) and “eat healthily” (吃得健康) nowadays. Amidst increasing health awareness, people pay more attention to safety and the source of food, and are willing to pay a premium for high-quality and delicious fruits. According to CIC, the market size by retail value of China's fresh fruit retail market has increased from RMB939.0 billion in 2017 to RMB1,336.9 billion in 2021, representing a CAGR of approximately 9.2%. China's fresh fruit retail market still has potential for further growth. The annual per capita volume of fresh fruit consumption has increased from approximately 46kg in 2017 to 57kg in 2021, which remains significantly lower than the daily intake volume of 200-350g (i.e., 73-128kg per year) as proposed by the Chinese Dietary Guidelines. Therefore, according to CIC, the market size by retail value of China's fresh fruit retail market is expected to further grow to RMB2,071.4 billion in 2026, representing a CAGR of 9.2% from 2021 to 2026.

Market size of fresh fruit by retail value, China, 2017-2026E



Notes:

- (1) Extreme weather events including late spring frost and hailstones in China caused price increase for several domestic fruits and resulted in an enhanced market size in 2019.
- (2) The overall market size of fresh fruit market in China by retail value declined in 2020 primarily because the decline of the market size of domestic fresh fruits, which decreased from RMB1,136.2 billion in 2019 to RMB1,050.0 billion in 2020, while the market size of imported fresh fruits by retail value in China increased from RMB128.3 billion in 2019 to RMB136.7 billion in 2020. Two factors caused the decline in the market size of domestic fresh fruits. First, extreme weather events, including late spring frost and hailstones, occurred in China in 2019, resulting in a lack of supply of several fruits and an increase in the price of relevant fruits, thereby expediting the overall market expansion of fruits in 2019. In 2020, without such extreme weather events, fruit prices restored to normal retail price levels. Second, to a lesser degree, the market size of China's fresh fruit retail market declined in 2020 as a result of the COVID-19 outbreak. In particular, the PRC government imposed widespread lockdown and restrictions on mobility to contain the spread of the virus across China in early 2020. As a result, some domestic fruits were not harvested and transported in a timely manner, leading to the decline of domestic fruits sales.

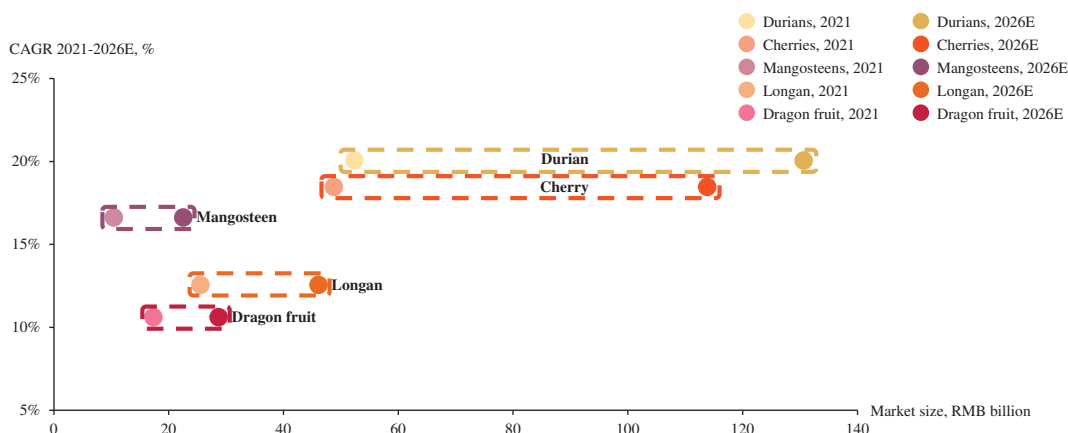
Source: CIC

INDUSTRY OVERVIEW

Drivers and Trends in the Fresh Fruit Retail Industry

Consumption upgrading. The continuous trend of consumption upgrading in China drives people's demand for high-quality fruits such as imported fruits and branded fruits, according to CIC. Benefiting from this trend, the demand for high-quality fruit categories has received high market receptivity, resulting in rapid growth in recent years. For instance, the retail value of durian increased from RMB21.0 billion in 2019 to RMB52.4 billion in 2021, representing a CAGR of 57.7%, which greatly exceeded growth rate of other fruit categories. Durian, cherry, mangosteen, longan and dragon fruit are the top five fastest-growing fruit categories by retail value above RMB10.0 billion in 2021 in terms of expected growth rate for the next five years in China, among which, durian is expected to have the fastest growth rate in the next five years, representing a CAGR of 20.1% from 2021 to 2026, according to CIC.

Top 5 fastest-growing fruits with a retail value above RMB10 billion in 2021 in terms of their expected growth rate for the next five years, China, 2021-2026E



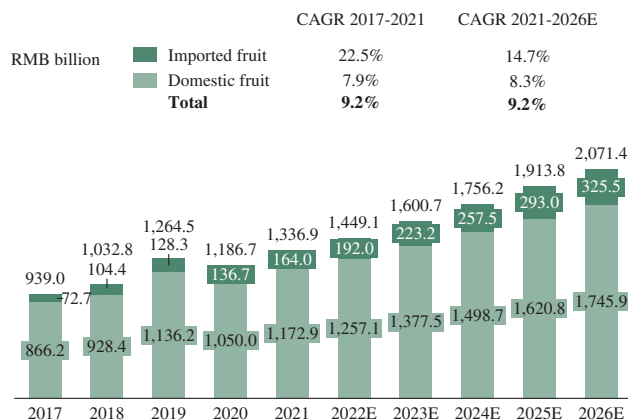
Source: CIC

Increasing imports of fresh fruits. Imported fruits are becoming increasingly popular among consumers in China in recent years thanks to their taste, diversity in categories and out-of-season availability compared with those produced in China, leading to a rapid market expansion in recent years. The market size by retail value of imported fresh fruits in China increased from RMB72.7 billion in 2017 to RMB164.0 billion in 2021, representing a CAGR of 22.5%. In the future, the market size of imported fresh fruits in China is projected to grow at a CAGR of 14.7% from 2021 to 2026 to reach RMB325.5 billion in 2026.

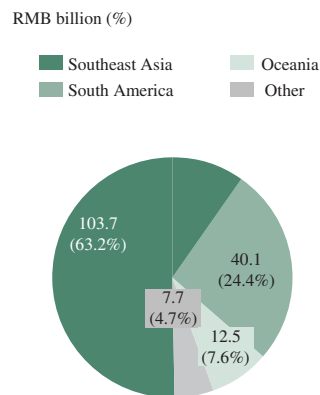
INDUSTRY OVERVIEW

Southeast Asia has become the primary place of origin of imported fresh fruits in China due to its tropical climate and geographical proximity to China. In 2021, fruits imported from Southeast Asia accounted for approximately 63.2% of the total market size of imported fresh fruits in China. In 2021, durian ranked first by retail value among the imported fresh fruit categories in China, accounting for approximately 31.7% of the total market.

Market size of China's fresh fruit retail, by places of origin, 2017-2026E



Market size of China's imported fresh fruit retail, by places of origin, 2021



Note: Others include Europe, Africa, North America, and Asia excluding Southeast Asia.

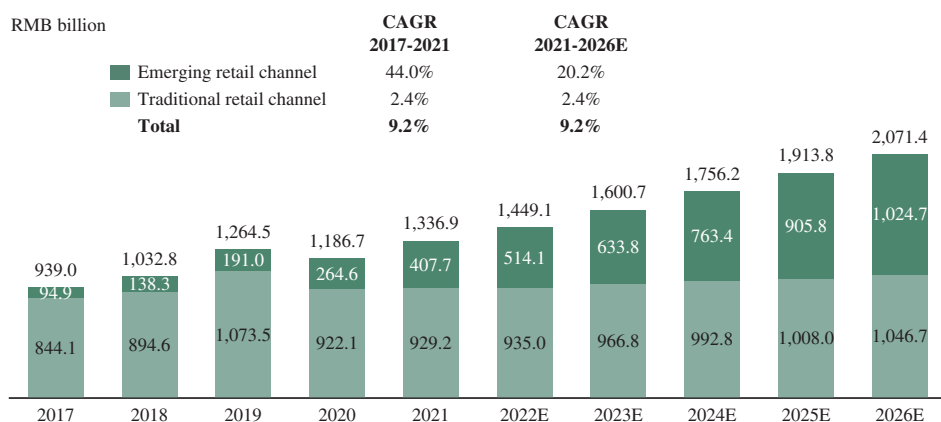
Source: CIC

Standardization of domestic fruits. Abundant natural and agricultural resources in China provide a solid foundation for building high-quality brands of fruits. As the fruit industry plays an important role in China's rural revitalization strategy, the PRC government has issued a series of policies to support the development of fruit cultivation in recent years. The cultivation of domestic fruits has gradually shifted from previously inefficient, haphazard and decentralized planting processes to relatively more efficient and standard, paving the way for further growth of retail value in premium and branded domestic fresh fruit products.

INDUSTRY OVERVIEW

Rapid growth of the emerging retail channel. Traditional channels such as supermarkets, mom-and-pop stores and wet markets remain the major retail channels for fresh fruits in China, accounting for approximately 69.5% of the total retail market size for China’s fresh fruit in 2021. Meanwhile, the rapid rise of emerging retail channel, including community group buying, community-based fresh-food chain stores, on-demand e-commerce, and comprehensive e-commerce, has enabled consumers to purchase fresh fruits more conveniently, and the emerging retail channel is expected to gradually become mainstream channels for Chinese consumers to purchase fruits. Community-based fresh-food chain stores like Qiandama, a China-based company, operates a series of community grocery stores and provides consumers with various fresh produce, allowing nearby residents to walk into the stores and purchase a wide variety of fresh fruits and vegetables. Community group buying, represented by Meituan Select and Duoduo Maicai, surged since the late 2020 after the break of COVID-19 pandemic, and enables consumers of a defined residential area to place bulk orders for products at discounted prices or with special offers. Orders are often delivered to a nearby specified location for consumers to pick up the following day, making daily necessities convenient and affordable for consumers. On-demand e-commerce refers to e-commerce platforms that offer consumers local on-demand delivery. Represented by Hema Fresh and Dingdong, these platforms offer a wide range of products and typically fulfill orders rapidly under 30 minutes or within hours. Comprehensive e-commerce refers to e-commerce that provide express delivery. As an example, Taobao operates one of the largest online retail platforms in Asia-Pacific and allows its users to browse for and purchase a broad variety of products online, with orders often delivered within a few days. The market size of the emerging retail channel increased at a CAGR of 44.0% from 2017 to 2021, accounting for 30.5% of the total retail sales of fresh fruit in China in 2021. This market share is expected to further expand to 49.5% in 2026, representing a CAGR of 20.2% from 2021 to 2026.

Market size of China’s fresh fruit retail, by retail channel, 2017-2026E



Notes:

- (1) Emerging retail channel primarily includes community group buying, community-based fresh-food chain stores, on-demand e-commerce, and comprehensive e-commerce.
- (2) Traditional retail channel primarily includes supermarkets, mom-and-pop stores and wet markets.

Source: CIC

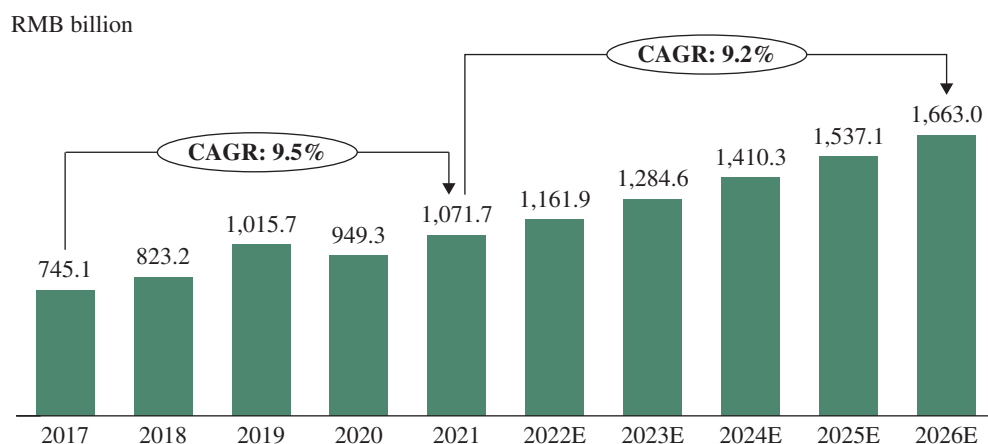
INDUSTRY OVERVIEW

OVERVIEW OF CHINA'S FRESH FRUIT DISTRIBUTION MARKET

Market Size of Fresh Fruit Distribution and its Future Growth Potential in China

In terms of the sales revenue to fruit retailers, the market size of fresh fruit distribution in China has increased from RMB745.1 billion in 2017 to RMB1,071.7 billion in 2021, representing a CAGR of 9.5%. In the future, the market size of China's fresh fruit distribution is expected to further increase at a CAGR of 9.2% from 2021 to 2026 to reach RMB1,663.0 billion in 2026.

Market size of fresh fruit distribution, China, 2017-2026E



Source: CIC

Challenges in the Fresh Fruit Distribution Market

Fruits are non-standardized products with relatively scattered plantation and retailing, and the value chain from orchards to retailers can be divided into multiple procedures such as harvesting, sorting, packaging, preservation, storage and transportation. However, most of the distributors can only deal with a limited number of procedures, resulting in a lengthy and highly fragmented industry value chain packed with layers of intermediaries.

The following are the challenges in the fresh fruit distribution market:

High product losses and low profit margins. Most fruit distributors have difficulty in vertically integrating the supply chain for fruit products, and therefore can only undertake limited roles along the value chain. As a result, there are multiple layers of intermediaries involved in the distribution process. Traditionally, the long distribution process has inevitably resulted in a high loss rate, limited transportation radius and limited sales coverage of fresh fruits. In addition, most distributors are operating with a low margin and on a small scale, making it difficult for such distributors to gain bargaining power in the value chain. As a result, the industry average loss rate ranged from approximately 1% to 5% while the industry average profit margin ranged from 5% to 20% in 2021.

INDUSTRY OVERVIEW

Lack of standardization in the fresh fruit supply. On the cultivation side, it is difficult to ensure consistent fruit production due to the impact of unexpected weather conditions and adopted plantation technology that may vary substantially among small orchards. The degree of supplier concentration is relatively low for China's fresh fruit distribution market, making product standardization more challenging. For example, fruit distributors in China sourced fruits from over 40 countries or regions in 2021, and there were over 45,000 durian orchards in Thailand supplying fruits to China. Furthermore, in the distribution of fresh fruits, processing, packaging, storage and transportation are carried out by participants with differing levels of quality control and non-standardized operating procedures, resulting in unstable supplies with inconsistent quality. As a result, fresh fruit distributors have to face the challenges associated with the above-mentioned factors.

Low levels of digitalization. A multi-layered distribution model has led to asymmetrical information, which creates challenges for effective data collection that is essential for digitalized supply chain and inventory management. Moreover, the lack of effective monitoring of transportation and storage has led to the inability to track goods timely, which in turn affects the freshness and shelf life of fruit products, or even leads to food safety issues. Without sufficient data and insights towards consumer preferences from retailers, distributors can hardly keep up with market trends, making it difficult for them to make data-driven procurement decisions.

Drivers and Trends in the Fresh Fruit Distribution Market

Continuous vertical integration of the supply chain. In order to have better control over the fruit supply chain, the leading fresh fruit distributors have been investing in undertaking multiple roles along the value chain to address challenges associated with stability of fruit supply, quality control of fruit products, turnover efficiency, and profitability. However, only a few established fresh fruit distributors are able to achieve end-to-end vertical integration, through technology capability, industry experience and capital resources. In 2021, China has approximately 300,000 fresh fruit distributors of different business scales, with less than 1% capable of vertically integrating the fresh fruit supply chain. Leading fruit distributors in China who have implemented end-to-end business models generally outperform their industry peers with a growth rate well above the industry average. In particular, for fruit categories in which leading fruit distributors have established an end-to-end business model, these distributors typically see a substantial growth rates that greatly exceeded the industry average during the Track Record Period.

Evolving digital transformation. The application of technologies, such as IoT, big data analytics and AI, is expected to provide a boost to the digital transformation of the fresh fruit distribution market. Leveraging the digitalized fresh fruit supply chain, distributors are able to manage and adjust supplies as well as improve the quality of fruit products, serving customers more efficiently. Meanwhile, digital transformation has brought transparency to fruit prices and the supply chain mechanism, reducing information asymmetry and improving overall efficiency. In addition, digital transformation of the supply chain also empowers fruit growers and promotes the modernization of agriculture, achieving high-quality development of the industry at the outset.

INDUSTRY OVERVIEW

Improved standardization. In recent years, some fresh fruit distributors have endeavored to convert non-standardized fruits into standardized products through a series of measures, such as direct procurement, quality control enhancement, and packaging upgrading. With stable supply of standardized high-quality products, these distributors could build up their reputation and competitiveness in the industry, which is of significant importance for product branding.

Branding of fresh fruit. The consumption upgrade of fruits has created a demand for branded fruit. The trends of vertical integration of the supply chain, increased digitalization and standardization have laid foundations for fresh fruit distributors to create fresh fruit brands. Successful branded products are not only able to enhance consumer loyalty, but also increase profitability driven by brand premium. Fruits products with strong brands typically command an approximately 10% premium over those without. Under such a background, more leading fresh fruit distributors in China and overseas have begun to launch their own fruit brands in China's market.

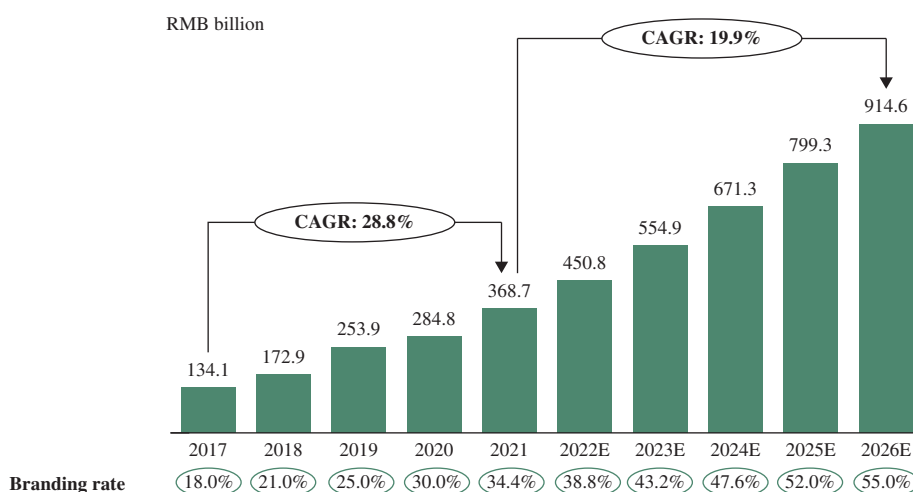
OVERVIEW OF CHINA'S BRANDED FRESH FRUIT DISTRIBUTION MARKET

To capture the trend towards branding, form competitive differentiation, and enhance customers' recognition, some fresh fruit distributors have started to sell fruits marked with their own trademarks or logos, and have gradually established brand recognition and awareness among the public.

Market Size of Branded Fresh Fruit Distribution and Future Growth Potential

In terms of sales revenue of self-owned branded products, the market size of China's branded fresh fruit distribution has grown from approximately RMB134.1 billion in 2017 to approximately RMB368.7 billion in 2021, representing a CAGR of 28.8%.

Market size of branded fresh fruit distribution, China, 2017-2026E



Note: Branding rate refers to the market share of branded fresh fruit distribution account for the overall fresh fruit distribution market.

Source: CIC

INDUSTRY OVERVIEW

In 2021, branding rate of fresh fruit distributors was 34.4%, representing a significant increase from a branding rate of 18.0% in 2017. However, compared with the branding rate of 70% in the fresh fruit distribution market in the United States, there remains great growth potential for further development of fruit branding in China. In addition, the branding rate varies widely across categories, leaving room for distributors to create brands for different fruits. For example, in 2021, the branding rate for durian, mangosteen and cherry was 90%, 80%, 70%, respectively, while the branding rate for certain imported fruits, namely dragon fruit, longan and grapes, was 50%, 40% and 40%, respectively. As a result, the market size of China's branded fresh fruit distribution still has great potentials and is expected to continue expanding to reach RMB914.6 billion in 2026.

Challenges for Fresh Fruit Distributors to Build Fruit Brands

Historically, China's fresh fruit market had been dominated by non-branded products. Building a brand requires comprehensive value chain management capabilities. On the procurement side, fresh fruit distributors need to guarantee product quality from the places of origin and establish standardized processing facilities. On the sales side, fresh fruit distributors need to establish a nationwide sales and distribution network, enhance their contract fulfillment ability, and reduce unnecessary process in the distribution. However, since both the procurement and sales of fruit products are highly dispersed, fresh fruit distributors have difficulty in establishing a highly integrated supply chain to build their own brands without years of industry experience and resource accumulation. Those fresh fruit distributors with established an end-to-end supply chain enjoy advantages in marketing their branded fruit products.

Competitive Advantages by Fresh Fruit Distributors with Established Brands

Increased customer loyalty. Leveraging strong brand awareness, distributors may attract consumers' new and repeat purchases and upsell products more effectively, thereby increasing sales revenue. Distributors with strong brands may benefit their customers and gain greater customer loyalty as a result.

Stable and high-quality supply of fresh fruits. Distributors with established brands generally have large and stable order volumes, which grant them access to a stable supply of high-quality fresh fruits and allow them to enjoy greater bargaining power with upstream growers. Accordingly, fruit retailers could benefit from the stable and high-quality supply of fresh fruits from distributors with strong brands.

Enhanced product competitiveness and brand premiums. Consumers prefer branded fruit products that generally carry higher quality and better attributes. Through launching brands, distributors can enhance product recognition and popularity among customers, and they are able to improve competitiveness by making it easier for consumers to choose among a wide selection of products, which will ultimately bring brand premiums.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF CHINA'S FRESH FRUIT DISTRIBUTION INDUSTRY

China's fresh fruit distribution market remains highly fragmented. The top five players only accounted for less than 5% of the market share by sales revenue of fresh fruits in 2021. According to CIC, we were China's second largest fresh fruit distributor by sales revenue in 2021 with a market share increased from 0.6% in 2020 to 1.0% in 2021, and sales revenue increased by 78.1% from 2020 to 2021, greatly outpacing the other top five players and becoming the fastest-growing player with a distinctive end-to-end supply chain management capacity and a successful assortment of distinguished core fruit products. We were also the largest durian distributor with a market share of 8.3% by sales revenue in China in 2021. In addition, we were also a top five fruit distributor of mangosteen, dragon fruit and longan in China, with a market share of 2.2%, 6.1% and 2.8% by sales revenue, respectively. On the other hand, we were an early mover in establishing fruit brands in China and have carried all of our core fruit products under self-owned brands. Leading players who are able to effectively integrate the value chain and build brands are expected to gain a higher market share in the years ahead. The following table illustrates the market shares of top five fresh fruit distributors in China in 2020 and 2021 in terms of sales revenue.

	Total sales of fresh fruits in China			
	Sales revenue	Market share	Sales revenue	Market share
	2021	2021	2020	2020
	(RMB billion)	(%)	(RMB billion)	(%)
Company A	12.0	1.1%	9.5	1.0%
The Company	10.3	1.0%	5.8	0.6%
Company B	4.8	0.5%	4.3	0.5%
Company C	4.3	0.4%	3.3	0.3%
Company D	2.5	0.2%	3.0	0.3%

Notes:

- (1) Company A refers to Joy Wing Mau Fruit Technologies Corporation Limited, a China-based private-owned company supplying various fruit categories. It has a nationwide distribution network and maintains an extensive fruit product portfolio that has a distinctive focus on kiwi, blueberries, cherry, apple, etc. It owns orchards for certain fruit products and may acquire them in their places of origin through direct collaboration with orchards.
- (2) Company B refers to Goodfarmer Foods Holding (Group) Co., Ltd., a China-based private-owned company supplying fruits and vegetables. It has a nationwide distribution network and maintains an extensive fruit product portfolio that has a distinctive focus on banana, kiwi, dragon fruit, apple, pineapple, etc. It procures core fruit products in the places of origin and from other leading fruit distributors with a big brand name.
- (3) Company C refers to Zespri Group Limited, a New Zealand company. Company C penetrates deeply into the places of origin for its core fruit products with direct collaboration with local growers. It has a distinctive fruit product portfolio that specializes in kiwi, and has primarily relied on distributors for sales in China.
- (4) Company D refers to Dole plc, a public company listed in the U.S. supplying fruits and vegetables worldwide. Company D penetrates deeply into the places of origin for its core fruit products with farms and growing presence and procures through direct collaboration with growers in the orchards. It maintains an extensive fruit product portfolio that has a distinctive focus on banana, pineapple, orange, etc. and logistics infrastructures in China.

INDUSTRY OVERVIEW

The competitive landscape of China's fresh fruit distribution market has the following trends:

- **Low level of market concentration:** the fresh fruit distribution market in China is highly fragmented, with top five players only accounted for less than 5% of the market share by sales revenue in 2021. However, according to CIC, leading fresh fruit distributors actively accelerated their expansion by means of both organic growth and mergers and acquisitions of small-and medium-sized fresh fruit distributors, in order to scale business operation and realise economies of scale to improve their market position. Subsequently, leading players are expected to gain more market share, resulting in a rise in market concentration, leaving less opportunities for distributors operating on a smaller scale. The market concentration ratio of the top five players in China increased from approximately 2.0% in 2019 to 3.2% in 2021.
- **Lack of market integration and end-to-end:** fresh fruit distributors in China typically focus on a single segment of the fresh fruit value chain and operate on a small scale. According to CIC, the average sales revenue of fresh fruit distributors in China is approximately RMB3.0 million, with less than 1% of them generating over RMB20.0 million in sales revenue. As such, the demands for fresh fruit distributors with omni-channel distribution networks to cover the end-to-end demands of customers, are growing rapidly. The market is calling for technology-enabled end-to-end supply chain who have the capabilities in provision of stable, high-quality, integrated and end-to-end supply of fruits, as well as processing and sorting capabilities. This leaves a large opportunity for fresh fruit distributors in China to improve overall fruit supply chain efficiency to reduce such redundancies.
- **Lack of nationwide distribution network:** there are approximately 300,000 fresh fruit distributors of different business scales in China. However, most players are usually regional, making it more difficult for them to scale across regions.

We believe that by leveraging widespread recognition of our brands and fruit products among customers, our strong technology and execution capabilities in bringing quality fruits from their origins to customers throughout China via an extensive distribution network, and our accumulated industry experience in selecting and developing fruit products, we are well-positioned to capitalize on business opportunities created by the aforementioned industry trends.

Key Factors for Successful Fresh Fruit Distributors

- ***Comprehensive brand portfolio.*** A comprehensive brand portfolio is the embodiment of a company's competitiveness, which may enhance the recognition of the products among customers. Leading companies could enhance brand awareness and enjoy price premiums by creating brand portfolio. In addition, leading companies are able to replicate their successful track record in developing new brands, thereby further enhancing their market positions.

INDUSTRY OVERVIEW

- ***Strong procurement and integration capabilities.*** Industry-leading companies can form in-depth collaboration with local orchards and standardize the process of flower induction, fruit thinning, picking, grading and preservation processes. Leading companies can also benefit from a digitalized and vertically integrated supply chain and are able to provide customers with efficient and comprehensive services, including direct sourcing, efficient logistics, and customized solutions. Simultaneously, the integrated supply chain can help fruit distributors cut out redundant intermediaries and lower costs, thereby improving their profitability and competitive advantages.
- ***Extensive sales and distribution network.*** Industry-leading companies with comprehensive sales and distribution networks can dynamically adjust supplies for different channels to effectively capture the latest trends in the industry by meeting diversified customer needs. In addition, fruit distributors with extensive sales channels can maintain large and stable procurement volumes, allowing them to access higher-quality orchard resources with lower procurement costs.
- ***Digital capabilities.*** Industry-leading companies can achieve data-driven operations and decision-making by adopting emerging technologies. For example, the use of IoT and big data analytics can facilitate the management of procurement, distribution, warehousing and sales. Empowered by advanced technologies, leading companies could effectively detect abnormalities in real-time and intervene timely, thereby reducing post-harvest losses, improving efficiency and ensuring product quality.

REGULATORY OVERVIEW

PRC REGULATORY OVERVIEW

The PRC laws and regulations that have a significant impact on our business operations are set out below:

Laws and Regulations Relating to Food Safety

Quality and safety of agricultural products

In accordance with the on Agricultural Product Quality and Safety Law of the PRC (《中華人民共和國農產品質量安全法》) (“**Agricultural Products Safety Law**”), which was promulgated on 29 April 2006 by the Standing Committee of the National People’s Congress (“NPCSC”) and amended on 26 October 2018, the PRC established an improved system of agricultural product quality and safety standards. Agricultural product quality and safety standards shall be mandatory technical norms. Agricultural products for sale must meet agricultural product quality and safety standards. Agricultural products that do not meet the quality and safety standards upon inspection shall not be sold. Imported agricultural products must be inspected in accordance with the national quality and safety standards for agricultural products; if the quality and safety standards for agricultural products have not been established, they should be formulated in a timely manner according to law. Before such standards are established, agricultural products may be inspected with reference to applicable foreign standards designated by relevant departments of the state.

According to the Administrative Measures for the Packaging and Marking of Agricultural Products (《農產品包裝和標識管理辦法》) promulgated by the Ministry of Agriculture on 17 October 2006 and implemented on 1 November 2006, the following agricultural products for sale shall be packaged by an agricultural product production enterprises, farmers’ professional cooperative economic organization, or entity or individual engaging in the purchase of agricultural products: (i) agricultural products certified as pollution-free agricultural products, green foods, and organic agricultural products, except for fresh livestock, poultry and aquatic products; (ii) the agricultural products that should be packaged for sale under the regulations of the agriculture administrative departments at the province level or above. For any agricultural products which are packaged under the relevant provisions and which are unpackaged to be sold to consumers directly, they are not required to be repackaged separately.

According to Agricultural Products Safety Law, agricultural products sold by entity or individuals engaging in the purchase of agricultural products that are required to be packed or labelled may not be sold until they have been so packed or labelled. The packages or labels shall, in accordance with the relevant provisions, indicate the product name, place of origin, producer, date of production, quality guarantee period, product quality grade, etc. If the sold agricultural products are not packaged and labelled under the regulations, the seller will be ordered to make corrections within a time limit; failure which, a fine of up to RMB2,000 may be imposed. Meanwhile, under the Measures for the Supervision and Administration of the Quality and Safety on Market Sales of Edible Agricultural Products (《食用農產品市場銷售質

REGULATORY OVERVIEW

量安全監督管理辦法》) promulgated by the State Food and Drug Administration on 5 January 2016 and implemented on 1 March 2016, where sellers fail to pack or attach labels as required, the food and drug supervision and administration department at or above the county level shall order such sellers to make corrections and give warnings; where such sellers refuse to make corrections, a fine ranging RMB5,000 to RMB30,000 will be imposed.

Food Safety

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the “**Food Safety Law**”), as promulgated by the NPCSC on 28 February 2009, and amended on 24 April 2015, 29 December 2018 and 29 April 2021, and Implementing Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) (“**Implementing Regulations of the Food Safety Law**”), issued by the State Council on 20 July 2009 and amended on 6 February 2016 and 26 March 2019, the quality and safety management of edible primary products derived from agriculture (“**edible agricultural products**”) shall comply with the provisions of the Agricultural Products Safety Law. However, the market sales of edible agricultural products, the formulation of relevant quality and safety standards, the publication of relevant safety information, and where the Food Safety Law has regulations on agricultural inputs, shall comply with the provisions of the Food Safety Law.

Food producers and business operators shall, in accordance with laws, regulations and food safety standards, engage in production and business operation activities, establish a sound food safety management system, and take effective measures to prevent and control food safety risks, thus ensuring food safety.

According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, with the purpose of guaranteeing food safety and safeguarding the health and life safety of the public, the State sets up a system for the supervision, monitoring and appraisal of the food safety risk, compulsory adoption of food safety standards, operating standards for food production, food inspection, food export and import and food safety accident response. Providers for food circulation service and consumer food service shall comply with the aforementioned law and rules.

According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, food producers and food business operators shall be responsible for the safety of food produced or traded. In the event of any breach of the Food Safety Law, relevant authorities may confiscate any illegal gains and food products, issue warnings and impose rectification orders and monetary penalties up to 30 times the value of the illegal products, as well as revoke the licenses and impose criminal liability in severe cases.

REGULATORY OVERVIEW

Protection of Consumer Rights and Interests

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》), as passed by the NPCSC on 31 October 1993 and last amended on 25 October 2013 contains the code of conduct for business operators when dealing with consumers, including but not limited to: (i) the goods and services shall comply with the relevant laws and regulations in relation to the product quality; (ii) accurate information about the goods and services and the quality and use of such goods and services; (iii) issue invoice, shopping vouchers or service documents to consumers in accordance with relevant national regulations, business practices or at the request of consumers; (iv) ensure that the actual quality and function of the goods or services are consistent with the quality of the goods or services indicated by advertising data, product descriptions, samples or other means; (v) assume responsibility for repair, replacement, refund or other liability under national regulations or any agreement with consumers; and (vi) not to create terms that are unreasonable or unfair to consumers, or exempt themselves from civil liability when they damage consumers' legitimate rights and interests.

Laws and Regulations Relating to the Import and Export Inspection and Quarantine of Edible Agricultural Products

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the “**Foreign Trade Law**”) passed by the NPCSC on 12 May 1994 and amended on 6 April 2004 and 7 November 2016, the department in charge of foreign trade under the State Council shall take charge of all foreign trade work in the whole country in accordance with this Law. The foreign trade operator engaged in import and export of goods shall make registration for record with the department in charge of foreign trade under the State Council or institutions entrusted by it, if failure in doing so, the customs shall not handle the declaration, and clearance procedure for goods imported or exported by a foreign trade operator. Furthermore, the foreign trade operator engaged in export of goods shall comply with the Measures for Archival-filling and Registration of Foreign Trade Operator (《對外貿易經營者備案登記辦法》) promulgated by MOFCOM on 25 June 2004, and latest amended and implemented on 10 May 2021.

According to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the NPCSC on 22 January 1987 and latest amended on 29 April 2021, the customs shall be the state's entry and exit customs supervision and administration authority. Under relevant laws and administrative regulations, the customs shall be responsible for the supervision of the transport vehicles, goods, freight items, postal items and other items entering into and departing from the PRC and collecting tariff and other duties and charges, investigating smuggling, compiling customs statistics and handling other customs operations. According to the Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》), promulgated by the General Administration of Customs on 13 March 2014, became effective as of 13 March 2014 and amended on 20 December 2017 and 29 May 2018, “consignor or consignee of imported/exported goods” refers to legal persons, other organizations or individuals directly importing or exporting goods in China, and shall go through registration procedures with

REGULATORY OVERVIEW

customs in accordance with the provisions. The registration of customs declaration entities comprises the registration of the customs declaration enterprise and the registration of the consignor or consignee of imported and exported goods. Consignor or consignee of imported and exported goods may go through the applicable registration procedure with local customs. After going through the registration formalities with customs authorities, consignor or consignee of imported and exported goods may handle their own declarations at any customs port or any locality where customs supervisory affairs are concentrated within the customs territory of the PRC. According to the Announcement on Including the Registration Certificate for a Customs Declaration Entity (for the Consignees or Consignors of Imported or Exported Goods) into the Reform of “Integrating Certificates into One” (《海關總署、市場監督管理總局關於<報關單位註冊登記證書>(進出口貨物收發貨人)納入“多證合一”改革的公告》) issued by the General Administration of Customs and the State Administration for Market Regulation on 9 January 2019, customs no longer issue Registration Certificate for a Customs Declaration Entity (for the Consignees or Consignors of Imported or Exported Goods) since 1 February 2019. According to the Decision of the Standing Committee of the National People’s Congress on Amending Eight Laws including the Law of the People’s Republic of China on Road Traffic Safety (《全國人民代表大會常務委員會關於修改<中華人民共和國道路交通安全法>等八部法律的決定》) issued by the NPCSC on 29 April 2021, and the Notice on Relevant Matters regarding the Cancellation of Registration of Customs Declaration Entities (Shu Qi Fa [2021] No. 41) (《關於取消報關企業註冊登記許可有關事項的通知》(署企發[2021]41號)) issued by the General Administration of Customs on 26 May 2021, each customs office will stop the approval of the matter on “registration of the customs declaration entities” from the date of publication of the amendment to the Customs Law and implement filing management; customs business that originally required the registration certificate may be handled with the system filing receipt.

According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, imported food must comply with China’s national food safety standards. Food importers shall present the contract, invoice, packing list, bill of lading and other necessary vouchers and relevant approvals, and apply to the entry-exit inspection and quarantine agency of the customs declaration office for inspection. Imported food must pass the inspection carried out by the entry-exit inspection and quarantine agency. For imported foods that are not regulated by national food safety standards, outbound exporters, outbound food manufacturers and their entrusted importers shall put forward or submit to the health administrative department under the State Council the applicable standards or international standards of relevant countries (regions).

According to the Measures for the Inspection and Quarantine Supervision and Administration of Imported Fruit (《進境水果檢驗檢疫監督管理辦法》) promulgated by the General Administration of Customs on 5 January 2005 and revised on 28 April 2018 and 23 November 2018, fruit importers shall go through inspection, quarantine and approval procedures for imported fruit with the General Administration of Customs and obtain the Entry Animal and Plant Quarantine Permit of the People’s Republic of China before signing the import fruit trade contract or agreement. Imported fruits that have not completed inspection and quarantine shall be stored in places designated by the customs, and shall not be moved,

REGULATORY OVERVIEW

sold or used without authorization. According to the Law of the PRC on the Entry and Exit Animal and Plant Quarantine (《中華人民共和國進出境動植物檢疫法》) which was promulgated by the NPCSC on 30 October 1991 and last amended on 27 August 2009 and its implementation regulations, importers who fail to report for quarantine inspection or go through quarantine approval procedures according to law shall be fined by the port animal and plant quarantine office.

Laws and Regulations Related to Intellectual Property

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”) promulgated by the NPCSC on 23 August 1982 and last revised on 23 April 2019 with effect from 1 November 2019, the exclusive right to use a registered trademark is limited to the approval of its trademark registered and the goods approved to use the trademark. The registered trademark is valid for ten years from the date of approval of the registration. According to the Trademark Law, using a trademark that is the same as, or similar to a registered trademark on a product that is the same as, or similar to the product such registered trademark is registered without the authorization of the registered trademark owner which is likely to cause confusion shall be deemed infringement of the exclusive right of the registered trademark of the trademark owner. If the parties have any dispute over the infringement and the other party uses the exclusive right of the registered trademark listed in the Trademark Law, the parties concerned shall resolve the dispute through negotiation. Where the parties refuse to negotiate or the negotiation fails, the trademark registrant or any interested party may file a lawsuit in the people’s court, or request the industry and commerce administration authority to deal with the occurrence of the trademark infringement.

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”) was promulgated by the NPCSC on 7 September 1990 and last revised on 11 November 2020. Copyright includes personal rights such as right of publication and right of authorship, as well as property rights such as reproduction rights and distribution rights. Except as otherwise provided by the Copyright Law, copying, distributing, performing, projecting, broadcasting, compiling or editing a work or disseminating the work to the public through information network without the permission of the copyright owner constitutes a copyright infringement. The infringer shall, bear civil liabilities such as ceasing the infringement, eliminating the impacts, making an apology, and compensating for the loss.

In addition, save for the Regulations on Protection of Computers Software (《計算機軟件保護條例》) issued by the State Council on 20 December 2001 and newly amended on 30 January 2013, the Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on 20 February 2002 stipulated detailed procedures and requirements for software copyright registration.

REGULATORY OVERVIEW

Patent

In accordance with the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”) promulgated by the NPCSC on 12 March 1984 and last amended on 17 October 2020 and with effect from 1 June 2021, the term “invention” used herein refers to new technical solutions raised in relation to any product, process or the improvement thereof; the term “utility model” used therein refers to any new technical solution related to the shape and structure of a product or the combination thereof, which is suitable for practical use; the term “design” used therein refers to any new design of the shape and pattern of a product or the combinations thereof, or the combinations of colors with shapes or patterns, which creates aesthetics and is suitable for industrial applications.

Domain name

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and became effective from 1 November 2017, a domain name shall mean the alphanumeric identifiers on the Internet that identify and locate the hierarchical structures of a computer, and corresponds to the IP address of the said computer. Domain name registration services shall in principle implement the rule of “first apply, first registration”; where the corresponding detailed rules for domain name registration stipulate otherwise, such provisions shall prevail. After completing the domain name registration, the validity period of the permit for domain name root server operating organizations, domain name registration management organizations and domain name registration service organizations shall be five years.

Laws and Regulations Relating to Employment, Social Insurance and Housing Provident Fund

General Labor Contract Rules

Labor contracts must be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the employees under the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》). Labor contracts must be concluded in writing if labor relationships are to be or have been established between employers and the employees. Enterprises and institutions are forbidden to force employees to work overtime or to do so in a disguised manner and employers must pay employees overtime wages in accordance with national regulations. In addition, wages may not be lower than local standards on minimum wages and must be paid to the employees timely. According to the Labor Law of the PRC, as amended, enterprises and institutions must establish and perfect a system of work place safety and sanitation, strictly abide by national rules and standards on work place safety and sanitation and educate employees on work place safety and sanitation. Work place safety and sanitation facilities must comply with national standards. The enterprises and institutions must provide employees with a safe work place and sanitation conditions that are in compliance with national standards and relevant labor protection regulations.

REGULATORY OVERVIEW

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) passed by the NPCSC on 28 October 2010 and amended on 29 December 2018, each employer and individual in the PRC shall make social insurance contributions, including basic old-age insurance, basic medical insurance, unemployment insurance, maternity insurance and work injury insurance. The funds shall be collected by the local administrative institutions. Employer who fails to pay social insurance contributions shall be ordered to pay or supplement within a prescribed period, and an overdue payment fine at the rate of 5 per 10,000 shall be levied from the due date of payment. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than its triple shall be imposed by the relevant administrative department.

According to the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) passed by the State Council on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, each employer and individual in the PRC shall make housing provident fund contributions. The funds shall be collected by the local administrative institutions. Where an entity is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

Laws and Regulations Relating to Foreign Exchange

The principal law governing foreign currency exchange in the PRC is the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), as amended (the “**Forex Regulations**”). According to the Forex Regulations currently in effect, international payments in foreign currencies and transfers of foreign currencies under current account, such as payments of dividends or interests, shall not be restricted. Foreign currency transactions under the capital account, such as direct investment and capital contributions, are still subject to registration procedures in accordance with the regulations of the foreign exchange administration department of the State Council.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) announced by the State Administration of Foreign Exchange (“**SAFE**”) on 26 December 2014, the SAFE and its branch offices and administrative offices shall oversee, regulate and inspect Domestic Companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conduct involved in overseas listing. Domestic Company shall, within 15 working days upon the end of its public offering overseas, handle registration formalities for overseas listing with the Foreign Exchange Authority at its place of registration with the required materials.

REGULATORY OVERVIEW

According to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control 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[2016]16號)), the foreign exchange receipts under capital accounts of domestic institutions are subject to discretionary settlement policies. That 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 domestic institutions for business operations has been clearly implemented in relevant policies. 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 balance of payments. While being eligible for discretionary settlement of foreign exchange receipts under capital accounts, domestic institutions may also opt to use their foreign exchange receipts according to the payment-based settlement system. A bank shall, in handling each transaction of foreign exchange settlement for a domestic institution according to the principle of payment-based settlement, review the authenticity and compliance of the use of the fund settled in the previous transaction (including discretionary settlement and payment-based settlement) of such institution. The funds shall not, directly or indirectly, be used for expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the State. Unless otherwise specified, the funds shall not, directly or indirectly, be used for investments in securities or other investments than banks' principal-secured products. The funds shall not be used for the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license. The funds shall not be used for the construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通告》) issued by the SAFE on 10 April 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

REGULATORY OVERVIEW

Laws and Regulations Relating to Foreign Investment

The competent authorities to regulate the outbound investment of enterprises in the People's Republic of China include the National Development and Reform Commission (“NDRC”), MOFCOM, SAFE and other government agencies.

According to Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on 26 December 2017 and took effect on 1 March 2018, where an enterprise located within the territory of the People's Republic of China (the “Investor”) obtains overseas ownership, right of control, business management right, and other related rights and interests, either directly or via an overseas enterprise under its control, by way of investments with assets or equities or providing financing or guarantees, shall be complied with approval and record-filing of overseas investment project, reporting relevant information and cooperating with the supervision and inspection. Approval procedures shall apply to sensitive projects carried out by the investor directly or through its controlled overseas enterprise; record-filing procedure shall apply to any non-sensitive projects carried out by the investor directly. The NDRC shall perform its duties as the competent authority for outbound investment within the scope of duties prescribed by the State Council. For outbound investment projects subject to approval management, the approval authority is the NDRC; for projects subject to record management, based on the Investor of the outbound investment project and the capital amount of Chinese investor, the filing authority is the NDRC and its delegates at the province level where the Investor is registered. For projects that fall within the scope of management of approval and filing, if the Investor commits one of the following actions: (i) implementing without approvals or filing notice; (ii) going through the approval and filing modification procedures, but implementing the modification without the approval of the approval and filing authority, the approval and filing authority shall order the Investor to suspend or stop the implementation of the project and make corrections within a time limit, and issue a warning to the Investor and relevant responsible persons; if a crime is constituted, criminal liability will be claimed according to law.

Pursuant to the Measures for Overseas Investment Management (2014) (《境外投資管理辦法(2014)》) promulgated by the MOFCOM on 6 September 2014 and effective from 6 October 2014, the filing and approval management will be applied by the MOFCOM and the provincial commerce administrative department according to different situations of enterprise overseas investments. The approval management will be applied where the enterprise overseas investments involving in sensitive countries and regions as well as sensitive sectors. The filing management will be applied in other cases of enterprise overseas investments.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《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)) promulgated by the SAFE on 13 February 2015 and implemented on 1 June 2015, if an enterprise grants the foreign exchange registration authority under the overseas direct investment to a bank, it shall handle the authorization directly through the bank. Under the provisions of the Direct Investment Foreign Exchange Operating Guidelines (《直接投資外匯業務操作指引》) enclosed with the

REGULATORY OVERVIEW

Notice, domestic institutions shall go to the bank where they are registered to apply for foreign exchange registration for overseas direct investment before making capital contributions overseas with domestic and overseas legal assets or rights (including but not limited to currency, securities, intellectual property or technology, equity, creditor's rights, etc.). Under the Regulation on Foreign Exchange Administration, domestic institutions or individuals who seek to make direct investment overseas shall register for dealing in foreign exchange with the foreign affairs administrative department under the State Council. Any such domestic institutions or individuals required to obtain approval from or to file with the relevant competent authority in accordance with state provisions shall go through the approval of filing procedures before making such registration. In case of failure the regulation on the administration of foreign exchange registration, the relevant SAFE authority shall order to make good the deficit and issue warnings and impose fines below RMB300,000 and RMB50,000 on institutions and individuals, respectively.

Laws and Regulations Relating to Taxation

PRC Enterprise Income Tax Law

According to the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》), as promulgated on 16 March 2007 and amended on 24 February 2017 and 29 December 2018, and the Implementing Regulations 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》), as announced on 6 December 2007 and amended on 23 April 2019 (collectively the “**Enterprise Income Tax Law**”), enterprise income tax payers shall be enterprises within the PRC and other organizations that obtain income within the PRC. The rate of enterprise income tax shall be 25%. Qualified small low-profit Enterprises are given the reduced enterprise income tax rate of 20%, under the Enterprise Income Tax Law. Income from engaging in projects of agriculture, forestry, animal husbandry and fisheries may be entitled to exemption or reduction of enterprise income tax.

According to the Announcement No. 14 in 2015 of the State Administration of Taxation on Enterprise Income Tax Issues concerning the Implementation of the Catalog of Encouraged Industries in the Western Region (《國家稅務總局公告2015年第14號-關於執行<西部地區鼓勵類產業目錄>有關企業所得稅問題的公告》), from 1 October 2014, enterprises that are based in the western region with their primary business listed in the newly-added encouraged industry items provided in the Catalog of Encouraged Industries in the Western Region (《西部地區鼓勵類產業目錄》), and whose annual primary business revenue accounts for more than 70% of the total enterprise revenue, may pay enterprise income tax at the reduced tax rate of 15%.

REGULATORY OVERVIEW

Interim Value-Added Tax Regulations of the PRC

According to the Interim Value-Added Tax Regulations of the PRC (《中華人民共和國增值稅暫行條例》), as announced by the State Council on 13 December 1993 and amended on 5 November 2008, 6 February 2016, and 19 November 2017, entities and individuals selling goods, providing labor services of processing, repairs or maintenance, selling services, intangible assets, real property in China, and importing goods to China, shall be identified as taxpayers of value-added tax. Unless otherwise provided by laws, the VAT rate is: 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11% for taxpayers selling transportation, postal, basic telecommunications construction, or immovable leasing services, selling immovables, transferring the rights to use land, or selling or importing specific goods; 6% for taxpayers selling services or intangible assets; zero for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; zero for exported goods, except as otherwise specified by the State Council.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (promulgated by the Ministry of Finance and the State Administration of Taxation on 23 March 2016, came into effect on 1 May 2016 and as amended on 11 July 2017, 25 December 2017 and 20 March 2019 respectively), the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (Cai Shui [2017] No. 37) (《關於簡併增值稅稅率有關政策的通知》(財稅[2017]37號)), announced by the Ministry of Finance and the State Administration of Taxation on 28 April 2017, the structure of value-added tax (VAT) rates will be simplified from 1 July 2017, and the 13% VAT rate will be canceled. The scope of goods with 11% tax rate and the provisions for deducting input tax are specified. According to the Circular of on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32) (《關於調整增值稅稅率的通知》(財稅[2018]32號)) announced by the Ministry of Finance and the State Administration of Taxation on 4 April 2018, from 1 May 2018, where a taxpayer engages in a taxable sales activity for the value-added tax (VAT) purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively. According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (“Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs [2019] No. 39”) announced by the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs on 20 March 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, the originally applicable VAT rate of 16% shall be adjusted to 13%; the originally applicable VAT rate of 10% shall be adjusted to 9%.

REGULATORY OVERVIEW

Regulations Related to the “Full Circulation” of H-share

“Full circulation” means listing and circulating on the Hong Kong Stock Exchange of the domestic unlisted shares of a domestic joint stock company (“**H-share listed company**”), including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On 14 November 2019, China Securities Regulatory Commission (“**CSRC**”) announced the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (Announcement of the CSRC [2019] No. 22) (《H股公司境內未上市股份申請“全流通”業務指引》(中國證監會公告[2019]22號)) (“**Guidelines for the ‘Full Circulation’**”). According to the Guidelines for the “Full Circulation”, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for “full circulation”. To file an application for “full circulation”, an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the “examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company”. An H-share listed company may apply for “Full Circulation” separately or when applying for refinancing abroad. An unlisted domestic joint stock company may apply for “full circulation” when applying for an overseas initial public offering. After the application for “full circulation” has been approved by the CSRC, an H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with the China Securities Depository and Clearing Corporation Limited (“**CSDC**”) of the shares related to the application has been completed. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China. On 31 December 2019, CSDC and Shenzhen Stock Exchange (“**SZSE**”) jointly announced the Measures for Implementation of H-share “Full Circulation” Business (《H股“全流通”業務實施細則》) (“**Measures for Implementation**”). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share “full circulation business”, are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and CSDC (Hong Kong) and SZSE.

According to the Measures for Implementation, after having completed relevant information disclosure, the H-share listed companies with the approval of the CSRC to engage in the H-share “Full Circulation” business shall apply to the CSDC for the deregistration of part or all of the non-foreign listed shares, and shall re-register the fully circulated H-shares which are not pledged, frozen, restricted to transfer to the share register institutions in Hong Kong. Such shares shall become eligible for listing and circulation on the Stock Exchange. Relevant securities are centrally deposited in CSDC for settlement. As the nominal holder of the above-mentioned securities, CSDC handles the depository and holding details maintenance,

REGULATORY OVERVIEW

cross-border clearing and settlement and other businesses involved in the “full circulation” of H-shares, and provides nominal holder services for investors. The H-share listed company shall be authorized by “Full Circulation” shareholders to choose domestic securities companies that participate in the “full circulation” business of H-shares. “Full Circulation” shareholders submit trading instructions of H-shares “Full Circulation” shares through domestic securities companies. Domestic securities companies shall select a Hong Kong Securities Company to submit trading instructions of their “Full Circulation” shareholders to Hong Kong Stock Exchange for trading. After the transaction is concluded, CSDC and CSDC (Hong Kong) shall handle the cross-border clearing and settlement of relevant shares and funds. The settlement currency of H-share “full circulation” transaction business is Hong Kong dollars. Where an H-share listed company entrusts CSDC to distribute cash dividends, it shall file an application with CSDC. An H-share listed company distributing cash dividends may apply to the CSDC for the holding details of relevant “fully-tradable” shareholders on the securities registration date. The non-H-share “fully circulated” securities listed on the Stock Exchange obtained due to the distribution and conversion of H-share “fully circulated” securities may be sold but shall not be purchased. Where the right to subscribe for the shares listed on Hong Kong Stock Exchange is obtained and the subscription right is listed on Hong Kong Stock Exchange, it may be sold, but shall not be exercised.

In order to fully promote the reform of H-shares “full circulation” and clarify the business arrangement and procedures for the relevant shares’ registration, custody, settlement and delivery, CSDC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發佈〈H股“全流通”業務指南〉的通知》) in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. In February 2020, CSDC (Hong Kong) also promulgated the Guide to the Program for Full Circulation of H-shares (《中國證券登記結算(香港)有限公司H股“全流通”業務指南》) to specify the relevant escrow, custody, agent service of CSDC (Hong Kong), arrangement for settlement and delivery and other relevant matters.

THAILAND REGULATORY OVERVIEW

Laws and Regulations Relating to Food Safety

Standards for agricultural products

The Agricultural Standards Act B.E. 2551 (2008) (as amended) (the “**Agricultural Standards Act**”) stipulates measures to regulate the standards for producing, packaging, sorting and other relevant processes involving agricultural products (e.g. mangosteens, longans and durian etc.). The Agricultural Standards Act consists of two agricultural standards, comprising (i) the mandatory standards which are regulated under the applicable ministerial regulation (the “**Mandatory Standards**”) and (ii) the voluntary standards which are regulated under the applicable ministerial notification.

REGULATORY OVERVIEW

A producer, exporter or importer of agricultural products, such as fresh fruits and vegetables fumigated by sulfur dioxide under the Mandatory Standards, is required to obtain the license for Producing Agricultural Goods from the National Bureau of Agricultural Commodity and Food Standard (ACFS) prior to its operation. Failure to do so shall incur a fine of not exceeding THB300,000. In addition, the operator is required to obtain a certification for inspection by the competent officer under the Mandatory Standards for the fresh fruits and vegetables fumigated by sulfur dioxide. Failure to do so shall incur a fine of not exceeding THB500,000.

Production of longans fumigated by sulfur dioxide

According to the Food Act B.E. 2522 (1979) (as amended) (the “**Food Act**”), sorting and packaging longans fumigated by sulfur dioxide is considered as the production of food under the Ministry of Public Health Notification No. 386 B.E.2560 (2017) (as amended) (“**MOPH Notification No. 386**”) issued by virtue of the Food Act.

MOPH Notification No.386 prescribes that a person who operates a business in relation to sorting and packaging fresh longans, which is deemed to be the production of food under MOPH Notification No.386, shall comply with the criteria and the conditions as specified in Attachment 2 of MOPH Notification No. 386 and will be inspected by the competent official. Failure to do so shall incur a fine of not exceeding THB10,000.

Laws and Regulations relating to Export and Inspection of Agricultural Products

Export of agricultural products

According to the measures for inspection of the products to be exported, a person who wishes to export agricultural products is required to obtain the certification of registration as an exporter prior to exporting.

Furthermore, the exporter of fresh fruits, such as mangosteen, longan and durian, is required to register with the competent official as an exporter under the relevant regulations, comprising of (i) the Notification of Department of Agriculture regarding Criteria, Procedure and Conditions for Registration as an Exporter of Fruits and Vegetables B.E. 2553, (ii) Ministry of Commerce Notification regarding Exporting Fresh Longans (No.92), B.E. 2542, and (iii) Ministry of Commerce Notification regarding Exporting Fresh Durians (No.91), B.E. 2542 respectively.

Certification of longans to be exported to the People’s Republic of China (PRC)

According to the Plant Quarantine Act, B.E. 2507 (1994) (as amended) (the “**Plant Quarantine Act**”), it is mandatory to obtain a Health Certificate (“**Health Certificate**”) issued by the competent authority of the exporting country certifying that such specific controlled plant is free from microorganisms or other particles that are harmful to human health, in compliance with the importing country requirements.

REGULATORY OVERVIEW

For the fresh longans fumigated by sulfur dioxide exported to the PRC, the Plant Quarantine Act stipulates that any person who wishes to export fresh longans fumigated by sulfur dioxide, shall obtain a Health Certificate to accompany the consignment of the products and also pay an inspection fee thereon. Failure to do so shall lead to imprisonment of not exceeding one year or fine of not exceeding THB20,000 or both.

Laws and Regulations Relating to Foreign Exchange

Thai foreign exchange controls are administered by the Bank of Thailand on behalf of the Ministry of Finance, pursuant to the Exchange Control Act B.E. 2485 (1942), as amended. The Bank of Thailand has granted commercial banks and certain other entities the authority to conduct foreign exchange transactions as authorized agents of the Bank of Thailand. The Bank of Thailand has instituted measures since 1998 to restrict certain foreign exchange transactions relating to the Baht currency by domestic financial institutions with non-residents of Thailand and to safeguard against instability and speculation in the domestic currency market. However, exceptions may be granted from time to time as the Bank of Thailand considers appropriate to the particular financial circumstances. These measures, among other things, include: (i) limit the value of foreign exchange transactions relating to the Thai Baht currency that commercial banks in Thailand can enter into with a non-resident who conducts underlying trade or investment activities in Thailand for such foreign exchange transactions not exceeding the actual value of the underlying trade or investment activity and, for the transactions without any underlying trade or investment activity in Thailand, not exceeding THB200 million per non-resident and its related parties as a group, except for foreign exchange spot transactions that relate to the Thai Baht currency; and (ii) regulate direct loans granted to non-residents.

According to Ministerial Regulation No. 13 (B.E. 2497) (1954) (as amended) issued under the Exchange Control Act B.E. 2485 (1942) (as amended), any person who export goods shall acquire foreign currency for such export within 360 days from the date of exportation and sell or deposit such foreign currency with an authorized bank unless the amount is less than US\$1 million.

In the case of any outward remittance from Thailand of, among other cases, (i) dividends after payment of the applicable Thai taxes (if applicable), (ii) proceeds from sales (including capital gains) of securities (e.g. shares, warrants, investment units, bonds, debentures, promissory notes, bills of exchange), (iii) interest on loans from overseas (including inter-company loans) whereby such loans are remitted into Thailand and (iv) principal payment of loans from overseas (including inter-company loans) whereby such loan is remitted in Thailand, the relevant authorized agent is required to be informed, but there is no requirement to submit additional supporting documents or evidence if the amount is less than US\$200,000 or the equivalent amount in relevant currency per remittance. If the amount is US\$200,000 or more in the relevant currency, a form must be submitted to the authorized agent (commercial bank) together with documents or evidence as to the particular transaction.

REGULATORY OVERVIEW

Laws and Regulations Relating to Foreign Direct Investment

Foreign Shareholding Restriction

The Foreign Business Act B.E. 2542 (the “**FBA**”) contains the general laws and regulations governing foreign shareholdings in Thailand whereby certain service businesses specified in the three lists annexed to the FBA cannot be carried out by a “foreigner”. The Department of Business Development, Ministry of Commerce, is the responsible authority of the FBA. To summarize the definition of a “foreigner” under the FBA, any company having foreign ownership of 50% or more of the total of its shares will be regarded as a “foreigner”, which is restricted or prohibited under the FBA from operating certain businesses in Thailand.

The FBA contains three lists of restricted businesses as follows:

- (1) **List One** specifies businesses which are entirely reserved for Thais, e.g., rice farming, plantations, crop cultivation, and land trading. Conduct of such businesses by a foreigner is strictly prohibited (i.e., it is not possible to obtain any approval or exemption from any governmental authorities).
- (2) **List Two** specifies businesses which are related to national safety and security, or have an impact on Thai art and culture, traditional customs, folk handicrafts, natural resources or the environment, e.g., transport, mining, and weapons manufacturing. Conduct of such businesses by a foreigner requires a Cabinet approval or an investment promotion from the Board of Investment.
- (3) **List Three** specifies businesses in which Thais are not yet ready to compete, e.g., trading (wholesale and retail sale) and most types of service businesses (including property leasing, lending, advisory, and marketing services). Conduct of such businesses by a foreigner requires a foreign business license granted by the Ministry of Commerce, unless a specific exemption applies (e.g., an investment promotion is obtained from the Board of Investment) or a foreigner relies on the exceptions provided under bilateral treaties (e.g., the US-Thai Amity Treaty).

In the case where 50% or more of the total shares of a company is held by Thai national(s), such company is not regarded as “foreigner” and will not be subject to the control and restriction for business operation under the FBA.

Laws and Regulations Relating to Land

The Land Code governs the ownership and possession of land, together with other legislations, including the Civil and Commercial Code (the “**CCC**”). As the primary legislation, the Land Code governs the management and categorization of land, the issuance of land title documents and the procedures for registering land rights and immovable property-related transactions, including restrictions on the foreign ownership of land in Thailand.

REGULATORY OVERVIEW

Freehold Land

Land title deeds for freehold lands can be issued only in accordance with the criteria and procedures set out in the Land Code. Freehold land is transferable, marketable, disposable and mortgageable. The formation of certain rights with respect to the land (e.g., encumbrances, liens, servitudes, superficies, habitation, usufructs and mortgages on immovable property) are permitted. Any transactions relating to land and other immovable property (with the exception of leases of no more than three years) must be registered with the land officer at the competent land office.

Expropriation of Land

Pursuant to the Expropriation and Acquisition of Immovable Property Act B.E. 2562 (2019), the Thai Government is authorized to expropriate land for public purposes. In practice, where a government agency or a ministry, a sub-ministry, a department, a local administrative organization, a state enterprise, or any other person who acts on behalf of the government and is empowered to expropriate immovable property or be in charge of expropriation (e.g., the Department of Highways, the Mass Rapid Transit Authority of Thailand, the Expressway Authority of Thailand) expropriates land, they will be required to issue a Royal Decree stating the purpose of the expropriation, the name of the expropriation officer, and the land boundary of the area to be expropriated. The owner of the expropriated land and buildings over such land will be entitled to compensation due to such expropriation.

Restrictions on Foreign Ownership of Land

Subject to certain exceptions, foreigners are not permitted to acquire and own land in Thailand. The Land Code provides that legal entities with the following structures are considered “foreigners”:

- a private or public limited company which has more than 49% of its registered share capital held by non-Thai nationals or a private or public limited company in which more than half of shareholders are non-Thai shareholders (bearer shares in private limited companies are deemed to be held by non-Thai shareholders for the purposes of calculating ownership under the Land Code);
- a limited partnership or registered ordinary partnership where more than 49% of the total capital was contributed by non-Thai shareholders or where more than half of the partners are non-Thai nationals;
- an association (including a cooperative) in which more than half the members are non-Thai nationals or where the association operates primarily in the interests of non-Thai nationals; or
- a foundation whose objectives are substantially in the interest of non-Thai nationals.

REGULATORY OVERVIEW

If a legal entity does not have the above characteristics, such entity is able to hold land under the Land Code.

Laws and Regulations Relating to Buildings

Building Construction

In Thailand, the principal law that governs the construction of buildings is the Building Control Act B.E. 2522 (1979) (as amended) (the “**Building Control Act**”). The Building Control Act provides guidance relating to the architecture, stability, safety, environmental concerns and other aspects of construction. To construct or modify a building, the owner of the building must submit an application for a construction permit along with the construction blueprints to the local government office (e.g., municipal, sub-district administrative organization and district office) for the officer’s inspection to determine compliance with other laws and regulations enacted under the Building Control Act.

In certain local areas, local administrative agencies may have different rules regarding the construction of certain types of buildings. The applicable laws or rules of the Building Control Act depend on the location and purpose of the building to be constructed. In addition to the Building Control Act, the construction may also be subject to other applicable laws. Environmental laws, town planning laws and ministerial regulations which are issued by virtue of the Building Control Act may also impose certain restrictions relating to the construction of buildings in certain areas (e.g., notifications relating to environmental protection zones or other such zones prohibiting the construction or modification of buildings).

Building Construction Certificate

Under the Ministerial Regulations on Types of Controlled Building B.E. 2552 (2009) issued pursuant to the Building Control Act, controlled buildings, e.g., commercial buildings with usage areas of at least 300 square meters, must obtain certificates of building construction or modification prior to actual usage. If there is a change in the use of a controlled building from one category to another or the use of a building to a controlled building, the owner will be required to apply for a permit for the change of use of the building from the competent local governmental office.

Zoning

Typically, the Building Control Act applies only in the areas stated in the Royal Decree enforcing such law. However, if the areas fall within the ambit of a notification relating to a town plan, the Building Control Act will nonetheless apply to those areas.

A town plan will become operative after it has been published in the ministerial regulation. However, pursuant to the Town Planning Act B.E. 2562 (2019), which came into effect on November 25, 2019, a town plan will become applicable after it has been announced in the notification of the Ministry of Interior or in the local ordinance. Each town plan will be

REGULATORY OVERVIEW

reconsidered within a period determined by the town planning committee or the provincial town planning committee, but not over five years from the effective date of such notification by the Ministry of Interior or the local ordinance or from the date when the reconsideration of the previous town plan by the town planning committee or the provincial town planning committee was completed (as the case may be). The town plan may restrict rights to use land by zoning areas into various categories. For example, in some zones, there is a prohibition on the construction of certain types of buildings (e.g., extra-large buildings, high-rise buildings, terraced buildings, terraced houses, townhouses, etc.) or the construction of buildings which are classified by use (e.g., factories, commercial buildings of specific kinds, hotels, etc.). The local authority is responsible for overseeing and regulating the construction of buildings or the operation of businesses on the land to be in accordance with the town plan. Therefore, in general, any person who wishes to construct a building or conduct a business on the land must consider the following issues:

- whether the land is located in a zone which is subject to a ministerial regulation, notification of the Ministry of Interior or local ordinance, relating to the town plan;
- the land use category;
- in relation to that land use category, the requirements or restrictions on to the types of buildings that may be constructed on the land, the use of buildings on the land or the type of business conducted on the land; and
- the requirements or restrictions on construction prescribed under other related laws and regulations (e.g., environmental laws, local administrative regulations, etc.).

Laws and Regulations Relating to Transfer Pricing

The current transfer pricing law requires entities whose income is at least 200 million Baht to submit a Disclosure Form documenting the relationship and total amount of related party transactions together with the annual corporate income tax return within 150 days after from the closing date of accounting period. If requested by the Thai Revenue Department, taxpayers must also submit additional documentation or evidence to provide the necessary information (“**Transfer Pricing Documentation**”) for the tax authority’s analysis of the related party transactions within 60 days, with a possible extension up to 120 days or to 180 days for the first time request. Taxpayers who fail to comply or who submit incomplete or incorrect documentation without reasonable explanation will be subject to a fine of up to 200,000 Baht.

REGULATORY OVERVIEW

VIETNAM REGULATORY OVERVIEW

Laws and Regulations Relating to Foreign Exchange Control

According to the Foreign Exchange Control Decree No. 28/2005/PL-UBTVQH11, which came into effect on June 1, 2006 and amended in 2013, Vietnam foreign exchange control policies are formulated to create favorable conditions for organizations and individuals engaging in foreign exchange business, meet the objective of national monetary policy and strengthen the effectiveness of the national foreign exchange control.

In Vietnam, except for special circumstances stipulated by the State Bank of Vietnam, all transactions between residents and non-residents shall be conducted in Vietnamese dong instead of foreign currency. If any foreign-owned enterprises need to use foreign currency to conduct direct investment transactions in Vietnam, such as contribution and transfer of investment capitals, and remittance of profits and legal gains out of Vietnam, they shall open a foreign currency direct investment fund account with an authorized bank. Each foreign currency is only allowed to open one direct investment fund account in such currency with an authorized bank.

For any breach of the Foreign Exchange Control Decree, the competent authority has the right to impose administrative penalties depending on the severity of the cases, with the highest penalties up to the confiscation of illegally traded foreign currencies. In certain special cases, if the competent authority identifies any sign of money laundering, relevant organizations and individuals may be imposed criminal liability in accordance with the Vietnam criminal laws.

Laws and Regulations Relating to Food Safety

According to the Law on Food Safety No. 55/2010/QH12 which came into effect on July 1, 2010, any food producer and operator shall fulfill the following obligations: (i) complying with food safety conditions, guaranteeing food safety during the production process and being responsible for the safety of the food produced; (ii) indicating the information of the product on the label, packaging, and accompanying documents in a complete and accurately manner under the Commodity Labeling Law; (iii) establishing a self-inspection procedure during the food production process; (iv) stating food safety information faithfully, and giving alert on food safety risks in a timely, complete and accurately manner; (v) immediately suspending production, notifying related parties and taking remedial measures when identifying unsafe food or when food fails to meet the published applicable standards and relevant technical regulations; (vi) recalling and disposing of expired and unsafe food. The food producer and operator shall follow the environmental protection laws and other relevant laws and bear all destruction costs if they dispose of such food by destruction; and (vii) compensating the damages caused by production of unsafe food according to the laws.

REGULATORY OVERVIEW

In the event of any breach of food safety regulations founded by the competent authority through inspection and supervision, the organization or individual that produces and distributes food may be imposed administrative penalties up to 200 million Vietnamese dong or five to seven times the value of the product depending on the nature and severity of the breach, or be imposed criminal liability. If any loss is caused, they must compensate and take remedial action in accordance with the laws.

Laws and Regulations Relating to Environmental Protection

The Law on Environmental Protection No. 55/2014/QH13 which came into effect on January 1, 2015, stipulates the rights, obligations and responsibilities of institutions, organizations, families and individuals in environmental protection. A company shall conduct an environmental impact assessment or formulate an environmental protection plan at the project preparation stage, and complete the construction of environmental protection project.

If any environmental pollution or environmental accidents occur during the process of operation, the company shall be liable for compensation in accordance with the laws. The legal representative may even be imposed criminal liability in accordance with the laws in severe cases.

Laws and Regulations Relating to Import and Export of Goods

The Customs Law No. 54/2014/QH13 which came into effect on January 1, 2015, regulates the import, export and transit of goods of domestic and foreign organizations and individuals within the Vietnam customs territory. For exported goods, in addition to complying with Vietnamese customs regulations, it is also necessary to fully comply with the regulations of the importing country.

According to the Vietnam Customs Law, the general export processes of goods are set out as follows: (i) the customs declarers declare and submit the customs declaration form, and submit or present the documents in the customs file, such as the sales contract, invoice, shipping documents, certificate of origin, import and export licenses, written notices for inspection or exemption from professional inspections, and other documents related to the goods required by relevant laws; (ii) customs authorities receive and register customs documents; (iii) customs declarers bring goods and transport vehicles to the designated place for physical inspections; (iv) customs authorities inspect customs documents and carry out physical inspections on goods and transport vehicles; (v) customs officials collect taxes and other fees under the tax laws, charge laws and other relevant laws; (vi) the customs declarers pay taxes and fees and perform other financial obligations under the tax laws, charge laws and other relevant laws; and (vii) the customs authorities decide on the customs clearance and release of the goods, and certify that the transport vehicles have completed the customs procedures.

REGULATORY OVERVIEW

For any breach of the Customs Law, the competent authority has the right to impose administrative penalties depending on the severity of the cases. If any signs of crimes such as smuggling or illegal cross-border transportation of goods are identified, the competent authority may impose criminal liability in accordance with the laws.

Laws and Regulations Relating to Employment and Labor Safety

Labor Law

According to the Labor Law No. 45/2019/QH14 which came into effect on January 1, 2021, labor contract must be concluded in writing and made in duplicate, one for the employer and the other for the worker. In addition, employers can only arrange workers to work overtime with the workers' consent and must ensure that the workers' overtime hours do not exceed 50% of the daily normal working hours, the total monthly overtime hours shall not exceed 40 hours, and the annual workers' overtime hours shall not exceed 200 hours. For certain special industries and types of work, employers can arrange for workers to work overtime no more than 300 hours a year.

Labor Safety and Health Law

According to the Labor Safety and Health Law No. 84/2015/QH13 which came into effect on July 1, 2015, employers have the obligations to: (i) ensure the occupational safety and health of workers and related personnel in the workplace, and pay employment injury insurance and occupational disease insurance for workers; and (ii) conduct health examination and occupational disease inspection, and fully implement the work injury and occupational disease system. In addition, equipment and tools shall be equipped to ensure occupational safety and health. When there is an occupational risk that seriously threatens the life or health of workers, the workers shall not be forced to continue working or return to the workplace.

Laws and Regulations Relating to Transfer Pricing

Pursuant to Decree No. 132/2020/ND-CP, unless exempted, taxpayers in Vietnam shall be responsible for retaining and providing the transfer pricing files comprising information, documents, data and records by the prescribed deadline including: a) related party transaction declaration forms together with the annual corporate income tax return; b) local files, including information about transfer pricing, transfer pricing policies and methods; c) master files containing information about business activities of multinational groups, transfer pricing policies and functions in value chains of groups; and d) country-by-country reports of profits of ultimate parent companies. Taxpayers who fail to comply may be subject to the fines and penalties prescribed in Law on Tax Administration.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are a fast-growing and multi-brand fruit company in China with an end-to-end supply chain. We focus on managing the entire supply chain for quality fruit primarily grown in China, Thailand and Vietnam. Capitalizing on our extensive industry experience accumulated through nearly 20 years of operations, we established a product portfolio covering 49 fruit categories as of the Latest Practicable Date, among which, durian, mangosteen, longan, dragon fruit, cherry and grapes are our core products. Through selecting and sourcing quality fruits from more than 100 places of origin together with direct procurement, standardized processing, and digitalized supply chain management, we have built up a portfolio of self-owned fruit brands covering a variety of categories. Leveraging our strategic penetration into premium places of origin, sales and distribution network across China, as well as efficient end-to-end supply chain management, we are able to distribute our fruit products directly from orchards to retailers across China.

The history of our Company could date back to October 2002 when our founders, Mr. Deng and Ms. Jiang, established the predecessor of our Company, Chongqing Hongjiu Fruit Company Limited (重慶洪九果品有限公司), a limited liability company established under the laws of the PRC with a registered share capital of RMB0.5 million. The shareholding structure of Chongqing Hongjiu Fruit Company Limited as of the date of the establishment was as follows:

<u>Name of Shareholder</u>	<u>Percentage of shareholding</u>
Mr. Deng	90.00%
Ms. Jiang	10.00%

For details of the biography of our founders, Mr. Deng and Ms. Jiang, please refer to the section headed “Directors, Supervisors and Senior Management” in this Prospectus.

In April 2013, Chongqing Hongjiu Fruit Company Limited was converted into a joint stock limited company and renamed as Chongqing Hongjiu Fruit Co., Limited (重慶洪九果品股份有限公司).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT MILESTONES

The following sets out the summary of our key development milestones:

Year	Milestone(s)
2002	Our predecessor, Chongqing Hongjiu Fruit Company Limited, was established.
2011	We expanded our business to Thailand.
2013	Chongqing Hongjiu Fruit Company Limited was converted into a joint stock limited company with its name changed to Chongqing Hongjiu Fruit Co., Limited. We first launched our self-owned brand in 2013. We commenced listing on CSTC.
2015	We were awarded “Top 100 Enterprises in the PRC Fruit Industry in 2015” (2015中國果業百強品牌企業) by China Fruit Marketing Association.
2017	We expanded our business to Vietnam and we established our subsidiary in Chile.
2019	We were recognized as “National Key Leading Enterprise in Agricultural Industrialization” (農業產業化國家重點龍頭企業) by Ministry of Agriculture and Rural Affairs of the PRC. We were recognized as “The 40th Anniversary of Reform and Opening-Up — Leading Unit in the Fruit Industry” (改革開放40週年果品行業先進單位) by China Fruit Marketing Association. We were awarded “Leading Private Enterprise in the Poverty Alleviation Campaign — Ten-Thousands Enterprises Helping Ten Thousand Villages” (全國「萬企幫萬村」精準扶貧行動先進民營企業) by State Council Leading Group Office of Poverty Alleviation and Development (國務院扶貧領導開發小組辦公室).
2020	Our revenue exceeded RMB5 billion and we established our subsidiary in Philippines.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR SUBSIDIARIES

The place of incorporation, date of incorporation and commencement of business and principal business activities of our subsidiaries are as follows:

No.	Name of subsidiary	Place of incorporation	Date of incorporation and commencement of business	Principal business activities
1.	Chongqing Runjiu Supply Chain Management Co., Ltd. (重慶潤九供應鏈管理有限公司) (“ Chongqing Runjiu ”)	PRC	February 24, 2014	Customs declaration and inspection declaration agent; logistics transportation
2.	Chongqing Xinhongjiu Supply Chain Management Co., Ltd. (重慶新洪九供應鏈管理有限公司) (“ Chongqing Xinhongjiu ”)	PRC	December 25, 2015	Supply and sale for online e-commerce and community group buying
3.	Niran International Trading Company Limited (“ Niran International ”)	Thailand	May 18, 2017	Procurement, pre-processing and export of fruits in Thailand
4.	Green Fruit Holdings Company Limited (“ Green Fruit ”)	Thailand	April 3, 2018	Factory rental
5.	Yuelaimei Import & Export Co., Ltd. (“ Yuelaimei ”)	Vietnam	May 19, 2017	Procurement, pre-processing and export of fruits in Vietnam
6.	Hongjiu Fruta Import & Export SpA (“ Hongjiu Fruta ”)	Chile	August 9, 2017	Procurement, pre-processing and export of fruits in Chile ⁽¹⁾
7.	Hong Nine Philippine Fruit Inc. (“ Hong Nine ”)	Philippines	November 4, 2020	Procurement, pre-processing and export of fruits in Philippine ⁽²⁾

Notes:

- (1) Hongjiu Fruta had no actual operations since the date of its incorporation and up to the Latest Practicable Date.
- (2) Hong Nine had no actual operations since the date of its incorporation and up to the Latest Practicable Date.

For more details of the shareholding changes of our subsidiaries, please refer to the sub-section headed “— Major Shareholding Changes of Our Group — Our Subsidiaries” below.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

MAJOR SHAREHOLDING CHANGES OF OUR GROUP

Our Company

1. Conversion into a Joint Stock Limited Company

Subsequent to a capital injection in June 2009 and the development and expansion of business of our Group, on April 26, 2013, Chongqing Hongjiu Fruit Company Limited was converted into a joint stock limited company and renamed as Chongqing Hongjiu Fruit Co., Limited. The audited net assets of RMB6,061,214.42 of Chongqing Hongjiu Fruit Company Limited as of March 31, 2013 were converted into 5,000,000 Shares of RMB1.00 per Share of our Company, and the remaining portion was allocated to our capital reserve.

The shareholding structure of our Company immediately after completion of the conversion into a joint stock limited company was as follows:

Name of Shareholder	Registered capital subscribed for	Percentage of shareholding
	(RMB)	
Mr. Deng	4,950,000	99.00%
Ms. Jiang	50,000	1.00%

We underwent a series of capital injections from May 2013 up to January 2017, after completion of which we were owned by Mr. Deng, Ms. Jiang (being the spouse of Mr. Deng) and 110 other individual Shareholders (who were our key employees, strategic partners and employees of our associated companies) as to approximately 89.09%, 0.90% and 10.01%, respectively.

2. Employee Incentive Platforms

Pursuant to the shareholders' resolutions passed on February 24, 2016, our Company adopted a capital increase scheme which enabled our key employees and strategic partners to subscribe for our registered capital (the "**Capital Increase Scheme**"). The registered capital of our Company was increased from RMB50,000,000 to RMB55,536,500, and 108 participants and our then Shareholders (Li Dan (李丹) and Yu Wenli (余文莉)) (collectively, the "**Participants**") completed the subscription of our registered capital of RMB5,536,500 on March 28, 2016.

On March 10, 2017, in order to streamline the shareholding structure of our Company, each of Chongqing Hezhong and Chongqing Heli was established as a limited partnership under the laws of the PRC as one of our Employee Incentive Platforms, and Mr. Deng Hongjiu has been the general partner of each of the Employee Incentive Platforms since their respective establishment. On June 21, 2017, among the 110 Participants, 97 Participants subscribed for the limited partnership interests in the Employee Incentive Platforms and transferred their

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

respective Shares to the Employee Incentive Platforms as consideration of such subscriptions. In addition to the 97 Participants, Mr. Deng also transferred a portion of his equity interest in our Company in exchange for the subscription for limited partnership interests in each of Chongqing Hezhong and Chongqing Heli. Upon completion of the abovementioned equity transfers, Chongqing Hezhong and Chongqing Heli owned 1,412,700 Shares and 2,866,750 Shares, respectively, representing approximately 1.79% and 3.63% of our then total share capital.

As of the Latest Practicable Date, Chongqing Hezhong held approximately 0.9354% equity interest in our Company, and Chongqing Heli held approximately 1.8982% equity interest in our Company.

3. Pre-IPO Investments and Shareholding Changes of Our Company

(a) Series Pre-A Financing

Pursuant to a number of convertible loans investment agreements entered into, among others, our Company and each of the series pre-A investors (collectively, the “**Series Pre-A Agreements**”) from August 25, 2016 to December 31, 2016 respectively, each of the series pre-A investors agreed to convert the respective outstanding convertible loan into equity interest in our Company subject to terms set out in the corresponding Series Pre-A Agreement (collectively, the “**Conversion of Series Pre-A Loans**”).

Details of the series pre-A investors with the subscription for additional registered capital of our Company by Conversion of Series Pre-A Loans are as follows:

Name of series pre-A investor	Date of series pre-A investment agreement	Registered capital subscribed for	Aggregate consideration	Corresponding approximate equity interest in our Company (upon completion of the series pre-A financing)
		(RMB)	(RMB)	
Zhenjiang Fenghui Joint Investment Fund Management Center (Limited Partnership) (鎮江豐會聯合投資基金管理中心(有限合夥)) (“ Fenghui Joint ”)	August 25, 2016 ⁽¹⁾	1,000,000	8,000,000	1.2674%
	December 2, 2016 ⁽¹⁾	250,000	2,000,000	0.3168%
Zhenjiang Fenghui Hongjiu Investment Fund Management Center (Limited Partnership) (鎮江豐會洪九投資基金管理中心(有限合夥)) (“ Fenghui Hongjiu ”)	October 8, 2016	2,000,000	16,000,000	2.5348%
Zhenjiang Fenghui Lianhe Yihao Investment Fund Management Center (Limited Partnership) (鎮江豐會聯合壹號投資基金管理中心(有限合夥)) (“ Lianhe Yihao ”)	December 1, 2016	2,125,000	17,000,000	2.6932%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of series pre-A investor	Date of series pre-A investment agreement	Registered capital subscribed for	Aggregate consideration	Corresponding approximate equity interest in our Company (upon completion of the series pre-A financing)
		(RMB)	(RMB)	
Chongqing Jiuyuxian Commerce and Trading Partnership (Limited Partnership) (重慶九羽仙商貿合夥企業(有限合夥)) (“Chongqing Jiuyuxian”)	December 31, 2016 ⁽²⁾	1,330,000	10,640,000	1.6856%
Total		6,705,000	53,640,000	8.4978%

Notes:

- (1) Pursuant to the investment agreement entered into, among others, Fenghui Joint and our Company dated August 25, 2016, Fenghui Joint agreed to provide a convertible loan of RMB8 million (the “**August 2016 Loan**”) to our Company and subsequently subscribe for additional registered capital of our Company for RMB1,000,000 by conversion of the August 2016 Loan. Pursuant to the investment agreement entered into, among others, Fenghui Joint and our Company dated December 2, 2016, Fenghui Joint agreed to provide a convertible loan of RMB2.00 million (the “**December 2016 Loan**”) to our Company and subsequently subscribe for additional registered capital of our Company for RMB250,000 by conversion of the December 2016 Loan. Upon completion of the series Pre-A financing, Fenghui Joint in aggregate acquired approximately 1.5843% equity interest in our Company.
- (2) Pursuant to the investment agreement entered into, among others, Chongqing Jiuyuxian and our Company, Chongqing Jiuyuxian provided a loan of RMB10.64 million to our Company on December 29, 2016 and subsequently agreed to convert the respective loan into equity interest in our Company on December 31, 2016.

(b) Series A Financing

Pursuant to a number of convertible loan investment agreements and/or capital increase agreements entered into, among others, between our Company and each of the series A investors (collectively, the “**Series A Agreements**”), each of the series A investors agreed to (i) convert the respective outstanding loan into equity interest in our Company subject to terms set out in the corresponding Series A Agreement (collectively, the “**Conversion of Series A Loans**”); and/or (ii) subscribe for additional registered capital of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Details of the series A investors with the subscription for additional registered capital of our Company are as follows:

Name of series A investor	Date of series A investment agreement	Registered capital subscribed for (RMB)	Aggregate consideration (RMB)	Corresponding approximate equity interest in our Company (upon completion of the series A financing)
<i>Subscription for additional registered capital of our Company by Conversion of Series A Loans</i>				
Li Xia (李霞)	April 27, 2017 and November 30, 2017 ⁽¹⁾	1,193,574	20,000,000	1.3333%
<i>Subscription for additional registered capital of our Company by Conversion of Series A Loans and by capital injection</i>				
Gongqingcheng Fengsheng Yihao Investment Center (Limited Partnership) (共青城豐盛壹號投資中心(有限合伙)) (“Fengsheng Yihao”)	June 26, 2017 ⁽²⁾ November 15, 2017 ⁽²⁾	2,029,075	16,100,000 17,900,000	2.2667%
<i>Subscription for additional registered capital by capital injection</i>				
Hefei Zhongan Runxin Fund Investment Partnership (Limited Partnership) (合肥中安潤信基金投資合夥企業(有限合伙)) (“Zhongan Runxin”)	October 12, 2017	2,387,148	40,000,000	2.6667%
Beijing Weicheng Xinde Decoration and Engineering Co., Ltd. (北京唯誠信德裝飾工程有限公司) (“Beijing Weicheng”)	November 15, 2017	895,180	15,000,000	1.0000%
Chongqing Jiuyuxian	January 5, 2018	2,983,935	50,000,000	4.8191% ⁽³⁾
Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) (重慶逸百年現代農業股權投資基金合夥企業(有限合伙)) (“Chongqing Yibainian”)	February 1, 2018	1,126,734	18,880,000	1.2587%
Total		10,615,646	177,880,000	13.3444%

Notes:

- (1) Pursuant to the investment agreement and supplemental agreement entered into, among others, Li Xia and our Company dated April 27, 2017 and November 30, 2017 respectively, Li Xia agreed to provide a convertible loan of RMB20 million (the “April 2017 Loan”) to our Company and subsequently subscribe for additional registered capital of our Company by conversion of the April 2017 Loan.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (2) Pursuant to the investment agreement entered into, among others, Fengsheng Yihao and our Company dated June 26, 2017, Fengsheng Yihao agreed to provide a convertible loan of RMB16.10 million (the “**June 2017 Loan**”) to our Company. On November 15, 2017, pursuant to the investment agreement entered into, among others, Fengsheng Yihao and our Company, Fengsheng Yihao agreed to (i) subscribe for additional registered capital of our Company by conversion of the June 2017 Loan; and (ii) further subscribe for additional registered capital of our Company for RMB17,900,000 by capital injection. Upon the completion of series A financing, Fengsheng Yihao in aggregate acquired approximately 2.2667% equity interest in our Company.
- (3) Chongqing Jiuyuxian is one of the series pre-A investors and acquired approximately 1.6856% equity interest in our Company upon completion of the series pre-A financing. Upon completion of the series A financing, Chongqing Jiuyuxian in aggregate acquired approximately 4.8191% equity interest in our Company.

(c) *Series B Financing*

Pursuant to a number of capital increase agreements entered into between, among others, our Company and each of the series B investors, each of the series B investors agreed to subscribe for additional registered capital of our Company.

Details of the series B investors with the subscription for additional registered capital of our Company are as follows:

Name of series B investor	Date of series B investment agreement	Registered capital subscribed for	Aggregate consideration	Corresponding approximate equity interest in our Company (upon completion of the series B financing)
		(RMB)	(RMB)	
Zhuhai Wanheng Express Investment Center (Limited Partnership) (珠海萬亨運通投資中心(有限合夥)) (“ Zhuhai Wanheng ”)	June 29, 2018	2,486,613	50,000,000	2.1368%
Chongqing Yibainian	August 1, 2018	4,973,227	100,000,000	5.2417% ⁽¹⁾
China Agricultural Reclamation Industry Development Fund (Limited Partnership) (中國農墾產業發展基金(有限合夥)) (“ China Agricultural ”)	December 3, 2018	9,946,455	200,000,000	8.5470%
Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) (“ SCGC ”)	December 11, 2018	994,645	20,000,000	0.8547%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of series B investor	Date of series B investment agreement	Registered capital subscribed for	Aggregate consideration	Corresponding approximate equity interest in our Company (upon completion of the series B financing)
		(RMB)	(RMB)	
Chongqing Yeruhongtu Innovation Equity Investment Fund Partnership (Limited Partnership) (重慶業如紅土創新股權投資基金合夥企業(有限合夥)) (“ Chongqing Yeruhongtu ”)	December 11, 2018	994,645	20,000,000	0.8547%
Sunshine Life Insurance Co., Ltd. (陽光人壽保險股份有限公司) (“ Sunshine Life ”)	December 14, 2018	4,973,227	100,000,000	4.2735%
Hainan Agricultural Reclamation Industry Investment Fund (Limited Partnership) (海南農墾農業產業投資基金(有限合夥)) (“ Hainan Agricultural ”)	March 31, 2019	2,486,613	50,000,000	2.1368%
Total		26,855,425	540,000,000	24.0451%

Note:

- (1) Chongqing Yibainian is one of the series A investors and acquired approximately 1.2587% of equity interest in our Company upon completion of the series A financing. Upon completion of series B financing, Chongqing Yibainian in aggregate acquired approximately 5.2417% of equity interest in our Company.

(d) Series C-1 Financing

Pursuant to a capital increase agreement entered into between, among others, Suzhou Zhilan Equity Investment Center (Limited Partnership) (蘇州致藍股權投資中心(有限合夥)), (“**Suzhou Zhilan**”), Zhuhai Jinyiming Equity Investment Fund Partnership (Limited Partnership) (珠海金鑑銘股權投資基金合夥企業(有限合夥)) (“**Zhuhai Jinyiming**”), Jiaxing Capitallink Anjing Investment Partnership (Limited Partnership) (嘉興凱聯安靖投資合夥企業(有限合夥)) (“**Capitallink Anjing**”), Suzhou Yingqi Fund Management Partnership (Limited Partnership) (蘇州盈啟基金管理合夥企業(有限合夥)) (“**Suzhou Yingqi**”), Shenzhen Mingde Holding Development Co., Ltd. (深圳明德控股發展有限公司) (“**Shenzhen Mingde**”), Shanghai Jinshun Real Estate Co., Ltd. (上海金順房地產有限公司) (currently known as Minli (Shanghai) Enterprise Development Co., Ltd. (敏利(上海)企業發展有限公司)) (“**Minli Shanghai**”) (collectively, the “**Series C-1 Investors**”) and our Company on October 31, 2019, the Series C-1 Investors agreed to subscribe for additional registered capital of RMB15,256,371 of our Company at a total consideration of RMB485,000,000.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Details of the Series C-1 Investors with the subscription for additional registered capital of our Company are as follows:

Name of series C-1 Investor	Registered capital subscribed for	Aggregate consideration	Corresponding approximate equity interest in our Company (upon completion of the series C-1 financing)
	(RMB)	(RMB)	
Suzhou Zhilan	8,178,673	260,000,000	6.2134%
Zhuhai Jinyiming	2,359,232	75,000,000	1.7923%
Capitallink Anjing	1,572,822	50,000,000	1.1949%
Suzhou Yingqi	1,572,822	50,000,000	1.1949%
Shenzhen Mingde	943,693	30,000,000	0.7169%
Minli Shanghai	629,129	20,000,000	0.4780%
Total	15,256,371	485,000,000	11.5904%

(e) November 2019 Transfers

In November 2019, the following parties entered into a number of equity transfer agreements respectively, details of such transfers of equity interest in our Company are as follows:

Date of agreement	Name of transferor	Name of transferee	Registered capital transferred	Aggregate consideration
			(RMB)	(RMB)
November 20, 2019	Huang Zhiqi (黄志奇) ⁽¹⁾	Mr. Deng	325,000	1,293,300 ⁽²⁾
November 25, 2019	Shenzhen Mingde ⁽³⁾	Tianjin Weixiang Investment Management Co., Ltd. (天津瑋祥投資管理有限公司) ⁽³⁾ (“ Tianjin Weixiang ”), being a wholly-owned subsidiary of Shenzhen Mingde as of the date of transfer	943,693	30,000,000 ⁽⁴⁾

Notes:

- (1) Mr. Huang Zhiqi (a Participant and an Independent Third Party) subscribed for our registered capital and became our Shareholder in March 2016 under the Capital Increase Scheme. Mr. Deng acquired the registered capital of our Company subscribed by Mr. Huang Zhiqi upon his departure from our Company.
- (2) The consideration of RMB1,293,300 was determined with reference to the original investment costs of Mr. Huang Zhiqi at certain premium as agreed under the Capital Increase Scheme. The consideration of RMB1,293,300 was settled on November 20, 2019.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (3) Each of Shenzhen Mingde and Tianjin Weixiang is an Independent Third Party.
- (4) The consideration of RMB30,000,000 was determined based on arm's length negotiation between the parties and the consideration was settled on November 26, 2019.

Upon completion of the above equity transfers on January 22, 2020, each of Mr. Huang Zhiqi and Shenzhen Mingde ceased to be a Shareholder respectively.

(f) Series C-2 Financing

Pursuant to (i) a capital increase agreement dated March 16, 2020 entered into between, among others, Ningbo Tianshi Renhe Equity Investments Partnership (Limited Partnership) (寧波天時仁合股權投資合夥企業(有限合夥)) (“**Tianshi Renhe**”) and our Company, Tianshi Renhe agreed to subscribe for additional registered capital of RMB5,850,217 of our Company at a total consideration of RMB200 million; and (ii) a capital increase agreement dated March 27, 2020 and a supplemental agreement to the capital increase agreement dated March 27, 2020 entered into between, among others, Nanjing Chuangding Minghe Equity Investment Partnership (Limited Partnership) (南京創鼎銘和股權投資合夥企業(有限合夥)) (“**Nanjing Chuangding Minghe**”) and our Company, Nanjing Chuangding Minghe agreed to subscribe for additional registered capital of RMB1,462,554 of our Company at a total consideration of RMB50 million.

Details of the series C-2 investors with the subscription for additional registered capital of our Company are as follows:

Name of series C-2 investor	Date of series C-2 investment agreement	Registered capital subscribed for (RMB)	Aggregate consideration (RMB)	Corresponding approximate equity interest in our Company (upon completion of the series C-2 financing)
Tianshi Renhe	March 16, 2020	5,850,217	200,000,000	4.2105%
Nanjing Chuangding Minghe	March 27, 2020	1,462,554	50,000,000	1.0526%
Total		7,312,771	250,000,000	5.2632%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(g) April 2020 Transfer

On April 14, 2020, Zhongan Runxin and Nanjing Chuangding Minghe, both being Independent Third Parties, entered into an equity transfer agreement, pursuant to which Zhongan Runxin agreed to transfer 1,300,052 Shares to Nanjing Chuangding Minghe at a total consideration of RMB39,999,999.94. The equity transfer was completed on July 28, 2020.

(h) Series C+ Financing

Pursuant to a share subscription agreement dated September 19, 2020 entered into between, among others, our Company and Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) (“**Alibaba China**”), Alibaba China agreed to subscribe for RMB12,081,971 additional registered capital of our Company, representing approximately 8.00% of equity interest in our Company upon completion of the Series C+ financing, at a total consideration of RMB591,303,743.

(i) October 2020 Transfer

On October 25, 2020, for the purpose of family estate planning, the following parties entered into a number of equity transfer agreements respectively (collectively, the “**October Transfer Agreements**”), details of such transfers of equity interest in our Company are as follows:

Name of transferor	Name of transferee	Registered capital transferred (RMB)	Aggregate consideration (RMB)
Mr. Deng	Ms. Jiang, being the spouse of Mr. Deng	6,040,985	6,040,985
	Mr. Deng Haoji (鄧浩吉), being the son of Mr. Deng and Ms. Jiang	4,530,739	4,530,739
	Ms. Deng Haoyu (鄧浩宇), being the daughter of Mr. Deng and Ms. Jiang	4,530,739	4,530,739

The consideration under each of the October Transfer Agreements was determined with reference to the nominal value of the Shares and was subsequently waived by Mr. Deng on September 8, 2021. The equity transfers were completed on December 22, 2020. Since the acquisition of Shares by Mr. Deng Haoji and Ms. Deng Haoyu in October 2020, the respective voting rights attached to the Shares held by Mr. Deng Haoji and Ms. Deng Haoyu have been entrusted to Mr. Deng solely and exclusively pursuant to the Entrustment Agreement. As a result, our Controlling Shareholders were entitled to control

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

approximately 46.06% voting rights of our Company as of the Latest Practicable Date. For details on the Entrustment Agreement, please refer to the section headed “Relationship with Our Controlling Shareholders” in this Prospectus.

(j) Capitalization of Capital Reserve

On December 15, 2020, the then Shareholders passed a resolution and approved the capitalization of the capital reserve of our Company on the basis of two shares for every one share, upon the completion of which the total registered capital of our Company increased from RMB151,024,634 to RMB453,073,902.

(k) Adoption and termination of weighted voting rights structure

On December 15, 2020, to benefit from the continuous leadership and vision of Mr. Deng who controls our Company with a view to its long-term prospects and strategy, we adopted a weighted voting rights structure by way of shareholders’ resolution. Under the structure, our Company’s share capital comprises 148,579,611 class A ordinary shares and 304,494,291 class B ordinary shares. All class A ordinary shares were directly owned by Mr. Deng, representing approximately 32.79% of the then total share capital of our Company, and the shares held by other Shareholders before the adoption of the weighted voting rights structure were all re-classified to class B ordinary shares. Each class A ordinary share entitled its holder to exercise five votes and each class B ordinary share entitled its holder to exercise one vote, respectively, on certain matters that require a shareholder’s vote. Subsequent to the transfer of 22,653,695 Shares from Mr. Deng to Ms. Jiang in January 2021 as described below, the number of class A ordinary shares of the Company was adjusted to 125,925,916 and the number of class B ordinary shares was adjusted to 327,147,986 by way of shareholders’ resolution on January 27, 2021. All class A ordinary shares remained as directly owned by Mr. Deng.

On September 6, 2021, in view of the listing plan on the Stock Exchange of our Company, we terminated the weighted voting rights structure by way of shareholders’ resolution.

(l) January 2021 Transfer

On January 5, 2021, Mr. Deng and Ms. Jiang entered into an equity transfer agreement, pursuant to which Mr. Deng further agreed to transfer 22,653,695 Shares to Ms. Jiang at a consideration of RMB22,653,695. The consideration thereunder was determined with reference to the nominal value of the Shares and was subsequently waived by Mr. Deng on September 8, 2021. The equity transfer was completed on February 9, 2021.

(m) August 2021 Transfer

On August 1, 2021, Zhuhai Wanheng and Chongqing Tengrong Enterprise Management Partnership (Limited Partnership) (重慶騰榮企業管理合夥企業(有限合夥)) (“**Chongqing Tengrong**”), both being Independent Third Parties, entered into an equity transfer agreement, pursuant to which Zhuhai Wanheng agreed to transfer 7,459,839 Shares to Chongqing Tengrong at a consideration of RMB125,000,000 (the “**August 2021 Transfer**”). To the best knowledge of our Directors, the August 2021 Transfer was solely a commercial arrangement between the two parties having considered, (i) Zhuhai Wanheng’s commercial objective to mitigate its financial strain by streamlining its investment portfolio and realizing immediate and considerable investment gain from such disposal of Shares; (ii) Zhuhai Wanheng’s investment propensity in the domestic capital market of the PRC taking into account our change of proposed listing venue from A-share market to H-share market; and (iii) Chongqing Tengrong’s confidence in our development prospect at the relevant time. The consideration of such equity transfer was determined by the two parties based on the then valuation of our Group and business growth prospect of our Group, with reference to the valuation of our Company in the series C+ financing round. The post-money valuation of our Company in the August 2021 Transfer, being approximately RMB7,592 million, is in line with the post-money valuation of our Company in the series C+ financing round, being approximately RMB7,391 million. See subsection headed “Further Details of the Pre-IPO Investments — 2. Principal Terms of the Pre-IPO Investments” for further details. Based on the independent due diligence work performed by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would reasonably cause the Sole Sponsor to cast doubt on the reasonableness of the consideration in any material respect. Zhuhai Wanheng was fully informed of our plan for pursuing the Listing at the time of the August 2021 Transfer. Upon completion of the equity transfer on August 12, 2021, Zhuhai Wanheng ceased to be a shareholder of our Company. During the Track Record Period and up to the Latest Practicable Date, there had not been any material dispute between Zhuhai Wanheng and our Company, our Directors and, to the best knowledge of our Directors, our other Shareholders. As advised by our PRC Legal Advisers, based on our PRC Legal Advisers’ due diligence inquiries, to the best knowledge of our PRC Legal Advisers, up to the time of the August 2021 Transfer, there had been no legal impediment for Zhuhai Wanheng to be a Shareholder of our Company.

Our Subsidiaries

PRC

1. Chongqing Runjiu

Chongqing Runjiu was established as a limited liability company in the PRC on February 24, 2014 with an initial registered capital of RMB5 million. It is principally engaged in customs declaration and inspection declaration agency and logistics transportation. Following a series of equity transfers and as of the Latest Practicable Date, it was owned by our Company and Chongqing Runchuang International Logistics Transportation Co., Ltd. (重慶潤創國際貨物運輸代理有限公司) (“**Chongqing Runchuang**”, an Independent Third Party except for being a substantial shareholder of Chongqing Runjiu) as to 65.00% and 35.00%, respectively. During the Track Record Period, there was no change in the shareholding of Chongqing Runjiu.

2. Chongqing Xinhongjiu

Chongqing Xinhongjiu was established as a limited liability company in the PRC on December 25, 2015 with an initial registered capital of RMB10 million. It is principally engaged in supply and sale for online e-commerce and community group buying. Upon its establishment, Chongqing Xinhongjiu was owned as to 80.00% and 20.00% by Liu Fuzhong (劉福中) and Liu Huan (劉歡) respectively, each of whom is an Independent Third Party. Following a series of equity transfers and prior to the purchase of the equity interest of Chongqing Xinhongjiu by the Group, Mr. Deng and Ms. Jiang jointly held 100% of the equity interest of Chongqing Xinhongjiu. On December 25, 2017, Mr. Deng and Ms. Jiang entered into an agreement with our Company pursuant to which Mr. Deng and Ms. Jiang agreed to transfer 100% of the equity interest of Chongqing Xinhongjiu to our Company at an aggregate consideration of RMB10 million based on arm’s length negotiation and the consideration was settled on December 28, 2017. The relevant business registration was completed on January 4, 2018, and since then, Chongqing Xinhongjiu was wholly owned by our Company. The acquisition of Chongqing Xinhongjiu was to optimise the structure of our end-to-end supply chain management. After the completion of such equity transfer, there was no change in the shareholding of Chongqing Xinhongjiu.

Thailand

We, as an independent legal entity, has adopted an end-to-end business model since 2017 by commencing fruit procurement, processing, and/or exportation operations in Thailand and Vietnam through our local subsidiaries. Nonetheless, our management team has been exposed to integrated cross-sector business operations long before 2017 by carrying out integrated business within the fruit industry through Hongjew Tiejong Mouyee Co., Ltd. (洪九泰中貿易有限公司) (“**Hongjew Tiejong**”), a company principally engaged in fruit procurement from overseas, processing, and/or exportation operations in Thailand, and distribution in China.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Through the establishment of Hongjew Tiejong in September 2012 with an initial registered capital of THB5.0 million, being a sister company effectively controlled by Mr. Deng, our management team has obtained first-hand expertise in fruit procurement and processing in Thailand. Mr. Deng had effective control over Hongjew Tiejong and was primarily responsible for the decision-making in respect of its daily operations and management and the management personnel thereunder acted pursuant to Mr. Deng's instructions in this regard. Upon its establishment, Hongjew Tiejong was owned by Mr. Wicharn Jairakpreedarnit, Mr. Huang Zhiqi and Mr. You Zhiqiang as to 70.00%, 15.00% and 15.00% respectively. Since 2016, Hongjew Tiejong has went through a series of shareholding changes, and prior to its completion of dissolution in 2020, it was owned by Mr. Wicharn Jairakpreedarnit, Mr. Wang Yihe, Mr. Thawee Saewang, Ms. Wu Yang and Ms. Li Jianying as to 37.50%, 39.50%, 13.50%, 4.50% and 5.00% respectively.

In 2017, to streamline the overall business and organization structure of our Group in preparation of potential listing and to achieve optimized management efficiency, Mr. Deng determined to commence cessation of business operations of Hongjew Tiejong and our Group shall replace the operation function of Hongjew Tiejong. Such arrangement has allowed us to effectively manage along the end-to-end supply chain within our Group in all material aspects. To facilitate our business consolidation in Thailand in compliance with relevant local laws, we subsequently established two subsidiaries in Thailand, namely Niran International and Green Fruit in 2017 and 2018, respectively.

3. Niran International

Niran International was established as a limited liability company in Thailand on May 18, 2017 with an initial registered capital of THB50,000,000. It is principally engaged in procurement, pre-processing and export of fruits in Thailand. Upon its establishment, Niran International was owned by our Company, Mr. Rungrueang Wiromrat, Mr. Thawee Saewang and Mr. Vicharn Jairakpreedarnit as to 99.00%, 0.50%, 0.20% and 0.30% respectively.

On September 20, 2018, the registered capital of Niran International was increased from THB50,000,000 to THB150,000,000 and the shareholding percentage owned by the then shareholders remained the same as of its establishment date. On July 15, 2019, (i) Mr. Vicharn Jairakpreedarnit (an Independent Third Party) transferred his 4,500 shares to our Company and (ii) the registered capital of Niran International was decreased to THB139,152,800. As of the Latest Practicable Date, Niran International was owned by our Company, Mr. Rungrueang Wiromrat and Mr. Thawee Saewang as to approximately 99.24%, 0.54% and 0.22% respectively. Mr. Rungrueang Wiromrat is a director of Niran International and Mr. Thawee Saewang is a director of Green Fruit.

4. Green Fruit

Green Fruit was established as a limited liability company in Thailand on April 3, 2018 with an initial registered capital of THB5,000,000. It is principally engaged in factory rental. Upon its establishment, Green Fruit was owned by Niran International, Mr. Thawee Saewang, Mr. Rungrueang Wiromrat and Mr. Wang Yihe as to approximately 48.998%, 25.50%, 25.50% and 0.002% respectively. Mr. Wang Yihe is a director of each of Niran International and Green Fruit and the nephew of Ms. Jiang. Despite not holding majority shareholding in Green Fruit, Niran International has had majority voting power of Green Fruit since its establishment pursuant to its articles of association.

On July 15, 2019, Mr. Wang Yihe transferred his entire shareholding to Niran International. As of the Latest Practicable Date, Green Fruit was owned by Niran International, Mr. Thawee Saewang and Mr. Rungrueang Wiromrat as to approximately 49.00%, 25.50% and 25.50%, respectively. Therefore, our Company has remained control over Green Fruit pursuant to its articles of association and Green Fruit was accounted for a subsidiary of our Company as of the Latest Practicable Date.

Vietnam

5. Yuelaimei

Yuelaimei was established as a limited liability company in Vietnam on May 19, 2017 with an initial registered capital of 55,000,000,000 Vietnamese Dong. It is principally engaged in procurement, pre-processing and export of fruits in Vietnam. Upon its establishment and as of the Latest Practicable Date, it was wholly owned by our Company. Following a capital reduction of registered capital to 22,000,000,000 Vietnamese Dong in October 2017, the registered capital of Yuelaimei was increased to 82,685,000,000 Vietnamese Dong on January 24, 2019.

Chile

6. Hongjiu Fruta

Hongjiu Fruta was established as a limited liability company in Chile on August 9, 2017, with an initial registered capital of US\$2,000,000. It is principally engaged in procurement, pre-processing and export of fruits in Chile. Since its establishment and as of the Latest Practicable Date, it was wholly owned by our Company. On June 14, 2021, the registered capital of Hongjiu Fruta was decreased from US\$2,000,000 to US\$50,000. Hongjiu Fruta had no actual operations since the date of its incorporation and up to the Latest Practicable Date.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Philippines

7. Hong Nine

Hong Nine was established as a limited liability company in the Philippines on November 4, 2020 with an initial registered capital of 100,000,000 Philippine Peso. It is principally engaged in procurement, pre-processing and export of fruits in the Philippines. Upon its establishment, Hong Nine was owned by our Company, Li Hui, Jessie O. Aquino, Donna Olive S. Monta, Dometila O. Aquino, Edwin O. Aquino and Nenita C. Tomamac as to 99.00%, 0.50%, 0.10%, 0.10%, 0.10% and 0.10% respectively.

On March 2, 2021, Li Hui, an employee of our Group, transferred his shareholding in Hong Nine to our Company. On December 22, 2021, the registered capital of Hong Nine was decreased from 100,000,000 Philippine Peso to 6,250,000 Philippine Peso. As of the Latest Practicable Date, Hong Nine was owned by our Company, Jessie O. Aquino, Donna Olive S. Monta, Dometila O. Aquino, Edwin O. Aquino and Nenita C. Tomamac as to 99.50%, 0.10%, 0.10%, 0.10% and 0.10% respectively, and each of Jessie O. Aquino, Donna Olive S. Monta, Dometila O. Aquino, Edwin O. Aquino and Nenita C. Tomamac is a director of Hong Nine. Hong Nine had no actual operations since the date of its incorporation and up to the Latest Practicable Date.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period, save as disclosed in the subsection headed “— Major Shareholding Changes of Our Group — Our Subsidiaries”, we have not conducted any acquisitions, disposals or mergers that we consider material to us.

FURTHER DETAILS OF THE PRE-IPO INVESTMENTS

1. Overview

Our Company underwent several rounds of Pre-IPO Investments as described above in the subsection headed “— Major Shareholding Changes of Our Group” in this section.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

2. Principal terms of the Pre-IPO Investments

The below table summarizes the principal terms of the Pre-IPO Investments:

	Series Pre-A	Series A	Series B	Series C-1	Series C-2	Transfer of Shares in April 2020	Series C+	Transfer of Shares in August 2021
Amount of registered capital increase (RMB)	6,705,000	10,615,646	26,855,425	15,256,371	7,312,771	Not applicable	12,081,971	Not applicable
Amount of registered capital subsequent to each round of Pre-IPO Investment ⁽¹⁾ (RMB)	78,902,450	89,518,096	116,373,521	131,629,892	138,942,663	138,942,663	151,024,634	453,073,902 ⁽²⁾
Total consideration paid	RMB53,640,000	RMB177,880,000	RMB540,000,000	RMB485,000,000	RMB250,000,000	RMB39,999,999.94	RMB591,303,743	RMB125,000,000
Date of agreements ⁽³⁾	August 25, 2016 to December 31, 2016	April 27, 2017 to February 1, 2018	June 29, 2018 to March 31, 2019	October 31, 2019 to November 8, 2019	March 16, 2020 to March 27, 2020	April 14, 2020	September 19, 2020	August 1, 2021
Date of payment of full consideration for the respective financing round	July 29, 2016 to December 29, 2016	April 27, 2017 to April 26, 2018	July 12, 2018 to April 9, 2019	November 4, 2019 to November 8, 2019	March 20, 2020 to March 27, 2020	May 6, 2020	September 23, 2020	August 5, 2021
Approximate cost per Share paid under the Pre-IPO Investments	RMB8.0000	RMB16.7564	RMB20.1077	RMB31.7900	RMB34.1868	RMB30.7680	RMB48.9410	RMB16.7564 ⁽²⁾
Discount to the Offer Price ⁽⁴⁾	79.8807% ⁽⁵⁾	57.8592% ⁽⁵⁾	49.4310% ⁽⁵⁾	20.0510% ⁽⁵⁾	14.0233% ⁽⁵⁾	22.6213% ⁽⁵⁾	Not applicable ⁽⁵⁾	57.8592%
Post-money valuation of our Company ⁽⁶⁾	Approximately RMB631 million	Approximately RMB1,500 million	Approximately RMB2,340 million	Approximately RMB4,185 million	Approximately RMB4,750 million	Approximately RMB4,275 million	Approximately RMB7,391 million	Approximately RMB7,592 million
Basiss of determination of consideration	The consideration for each round of Pre-IPO Investments was determined based on arm's length negotiation with reference to the timing of the investments, the scale and valuation of our business and operating entities.							
Lock-up Period	Pursuant to the PRC Company Law, all current Shareholders (including the Pre-IPO Investors) are subject to a lock-up period of 12 months following the Listing Date.							
Use of proceeds from the Pre-IPO Investments	We utilized the proceeds from the Pre-IPO Investments for the principal business of our Group, including but not limited to growth and expansion of our Group's business within PRC and the overseas regions and general working capital purposes. As of the Latest Practicable Date, all of the funds raised from the Pre-IPO Investments have been utilized.							
Strategic benefits from the Pre-IPO Investments to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-IPO Investors, particularly for the purpose of expanding our business. The Pre-IPO Investments also demonstrate confidence from the Pre-IPO Investors in our Group, which serve as endorsement on our performance and future prospects.							

Notes:

- (1) For details on the approximate shareholding percentage of each of the Pre-IPO Investors as of the Latest Practicable Date and as of the Listing Date (assuming Over-allotment Option is not exercised), see the subsection headed "Shareholding Structure of Our Company."
- (2) The increase in amount of registered capital was attributable to the capitalization of capital reserve (on the basis of two shares for every one share) in December 2020 prior to the transfer of Shares from Zhuhai Wanheng to Chongqing Tengrong in August 2021, which also resulted in the decrease in the approximate cost per share for the August 2021 Transfer. For further details, see subsection headed "— Major Shareholding Changes of Our Group — Our Company — 3. Pre-IPO Investments and Shareholding Changes of Our Company."
- (3) Please refer to the subsection headed "— Major Shareholding Changes of Our Group — Our Company — 3. Pre-IPO Investments and Shareholding Changes of Our Company" for the date of each of the agreements under each round of Pre-IPO Investments.
- (4) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$46.00 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$40.00 to HK\$52.00).
- (5) Series Pre-A, Series A, Series B, Series C-1, Series C-2, Transfer of Shares in April 2020 and Series C+ round of Pre-IPO Investments took place prior to the capitalization of capital reserve (on the basis of two shares for every one share) in December 2020 (the "Capitalization of Capital Reserve"). In respect of the Series C+ round of Pre-IPO Investment, the approximate cost per Share thereunder represents a premium to the Offer Price of 23.0822% per Offer Share prior to the Capitalization of Capital Reserve in December 2020 but a discount to the Offer Price of 58.9726% per Offer Share subsequent to the Capitalization of Capital Reserve, calculated based on the assumption that the Offer Price is HK\$46.00 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$40.00 to HK\$52.00).
- (6) The post-money valuation figures equal to the total consideration paid by the Pre-IPO Investors in each round divided by the shareholding percentage held by them immediately following their respective investment.

3. Special Rights of the Pre-IPO Investors

Our Company and, among others, the Pre-IPO Investors entered into a number of shareholders' agreements (collectively, the "**Shareholders' Agreements**"), pursuant to which certain customary special rights including among others, right of first refusal, tag-along right, divestment right, pre-emptive right, information right, anti-dilution right, liquidation preferences, director nomination right and prior consent for certain corporate actions (collectively, the "**Special Rights**"), were granted to the Pre-IPO Investors.

Pursuant to the supplemental agreements to the Shareholders' Agreements (collectively, "**the Supplemental Shareholders' Agreements**") entered into among our Company and our Shareholders on April 15, 2021 and September 6, 2021, all the Special Rights have been terminated prior to or on the date of our Company's first submission of the listing application form to the Stock Exchange (the "**First Filing**"). Pursuant to the Supplemental Shareholders' Agreements, certain Special Rights which imposed obligations on, among others, our Controlling Shareholders, under the Shareholders' Agreements shall be restored upon occurrence of the following events, whichever is the earliest:

- (i) the non-acceptance for review of the First Filing by the Stock Exchange and/or the SFC and/or the CSRC;
- (ii) the termination of review or withdrawal (and no renewed listing application having been made within six months thereafter) of the First Filing by the Stock Exchange and/or the SFC and/or the CSRC or lapse or rejection of the First Filing or failure to obtain the listing approval from the Stock Exchange; or
- (iii) our Company having failed to complete the Listing prior to December 31, 2022, however, if there is other listing application made by our Company to any other stock exchange ("**Other Listing Application**"), the long stop date for completing the qualified initial public offering as agreed between our Company and the Pre-IPO Investors shall be extended to such date when the Other Listing Application is rejected.

4. Sole Sponsor's Confirmation

On the bases that (i) the consideration for the Pre-IPO Investments was irrevocably settled more than 28 clear days before the date of our first submission of the listing application to the Stock Exchange; and (ii) no special rights granted to the Pre-IPO Investors shall survive upon the First Filing, the Sole Sponsor confirms that the Pre-IPO Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

5. Information of the Pre-IPO Investors

We have received the Pre-IPO Investments from a number of investors. As a fast-growing and multi-brand fruit company in China, our end-to-end supply chain propelled by advanced digital capabilities, quality fruits, extensive industry experience, product portfolio and extensive sales and distribution network have enabled us to become a renowned player in the fresh fruit industry. The Pre-IPO Investors became acquainted with us through their exploration of investment opportunities or introduction by the stakeholders of our Company, including our customers and shareholders. In general, the Pre-IPO Investors primarily include private equity investment funds, governmental investment platform, asset management institutions, professional individual investor and other investment holding companies. We believe that the Pre-IPO Investments reflected that the Pre-IPO Investors were confident on our business development and future prospects. The background information of all of our Pre-IPO Investors is set out below.

Alibaba China

Alibaba China is a company established under the laws of PRC with limited liability, being a subsidiary of Alibaba, a company incorporated in the Cayman Islands and the American depositary shares of which are listed on the New York Stock Exchange (ticker: BABA), and the shares of which are listed on the Stock Exchange (stock code: 9988). Alibaba China is primarily engaged in the operations of the online wholesale marketplaces of Alibaba.

China Agricultural

China Agricultural is a private equity investment fund established under the laws of PRC, with an investment focus in the agricultural industry. Its general partner and fund manager is Zhaoken Capital Management (Beijing) Co., Ltd. (招墾資本管理(北京)有限公司), a registered private fund manager under the relevant PRC laws holding approximately 0.01% partnership interests. The largest limited partner of China Agricultural is Beidahuang Investment Holding Co., Ltd. (北大荒投資控股有限公司), holding approximately 39.97% partnership interests. Each of Zhaoken Capital Management (Beijing) Co., Ltd. and Beidahuang Investment Holding Co., Ltd. is ultimately wholly owned by the PRC Government.

Suzhou Zhilan

Suzhou Zhilan is a limited partnership established under the laws of PRC and its general partner is Shanghai CMC Industry Equity Investment Management Center (Limited Partnership) (上海華人文化產業股權投資管理中心(有限合夥)) (“**Shanghai CMC**”). The general partner of Shanghai CMC is CMC (Shanghai) Equity Investment Management Co., Ltd. (華人文化(上海)股權投資管理有限公司) (“**CMC Equity**”), which is ultimately owned as to 99% and 1% by Mr. Li Ruigang (黎瑞剛) and Mr. Gu Jiong (顧炯) respectively, each of whom is an Independent Third Party. The largest limited partner of Suzhou Zhilan is Suzhou Junyi Equity Investments Center (Limited Partnership) (蘇州駿怡股權投資中心(有限合夥)),

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

holding approximately 96.08% partnership interests and its general partner is Shanghai CMC. CMC Equity is a private equity investment firm primarily engages in investment management activities, which focuses on investments in technology, consumer and entertainment industry.

Chongqing Yibainian

Chongqing Yibainian is a private equity investment fund established under the laws of PRC, the general partner and the fund manager of which is Chongqing Yibainian Equity Investment Fund Management Co., Ltd. (重慶逸百年股權投資基金管理有限公司) (“**Yibainian Equity**”), a registered private fund manager under the relevant PRC laws holding approximately 1.32% partnership interests. Chongqing Industry Guidance Equity Investment Fund Co., Ltd. (重慶產業引導股權投資基金有限責任公司) and Shenzhen Xinyi’an Investment Venture Capital Partnership (Limited Partnership) (深圳市信逸安創業投資合夥企業(有限合夥)), as limited partners, each held approximately 49.34% and 41.12% partnership interests in Chongqing Yibainian, respectively. Chongqing Industry Guidance Equity Investment Fund Co., Ltd. is ultimately controlled by Chongqing Municipal Finance Bureau while the general partner of Shenzhen Xinyi’an Investment Venture Capital Partnership (Limited Partnership) is Yibainian Equity, which is an indirect wholly owned subsidiary of YBN Holdings Limited (“**YBN Holdings**”). YBN Holdings is a limited liability company incorporated in Hong Kong, which is principally engaged in investment management and is owned as to 46.75%, 38.25% and 15.00% by CITIC International Assets Management Limited (“**CITIC International**”), Taihe Dali Investment Hongkong Limited and Value Magic Limited respectively. CITIC International is owned as to 46% by CITIC International Financial Holdings Limited, which is a wholly owned subsidiary of China CITIC Bank Corporation Limited, a company listed on the Stock Exchange (stock code: 998) and Shanghai Stock Exchange (stock code: 601998.SH). CITIC International is owned as to 15%, 19% and 20% by entities which are ultimately owned by CITIC Securities Company Limited (a company listed on the Stock Exchange (stock code: 6030) and Shanghai Stock Exchange (stock code: 600030.SH)), ITOCHU Corporation (a company listed on the Tokyo Stock Exchange (stock code: 8001)) and Ithmaar Holding B.S.C. (a company listed on the Bahrain Bourse (stock code: ITHMR)), respectively. To the best of our Directors’ knowledge, the rest of the shareholdings in YBN Holdings are owned by a number of private investors who are Independent Third Parties.

Tianshi Renhe

Tianshi Renhe is a private equity investment fund established under the laws of PRC and its general partner is Ningbo Meishan Free Trade Port Dirui Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區迪銳投資管理合夥企業(有限合夥)) (“**Ningbo Meishan**”) and the fund manager of which is Tianyi Ziteng Asset Management (Ningbo) Co., Ltd. (天壹紫騰資產管理(寧波)有限公司), a registered private fund manager under the relevant PRC laws, with a focus on private equity investment and venture capital investment. Ningbo Meishan is owned as to 69.5% and 30.5% by Mr. Tang Meng (唐萌) and Ms. Duan Ranran (段冉冉) respectively, each of whom is an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Sunshine Life

Sunshine Life is a joint stock company established under the laws of PRC with limited liability, which is owned as to 99.9999%, by Sunshine Insurance Group Inc., Ltd. (陽光保險集團股份有限公司) (“**Sunshine Insurance**”). Sunshine Insurance operates in a range of business segments including personal insurance businesses such as life insurance, health insurance, accident insurance; reinsurance business to personal insurance; business in utilization of insurance funds (as permitted by the PRC laws and regulations) and sales of securities investment fund. To the best knowledge of our Directors, Sunshine Life and its ultimate beneficial owners are Independent Third Parties.

Chongqing Jiuyuxian

Chongqing Jiuyuxian is a limited partnership established under the laws of PRC for the purpose of investing in our Company and its general partner is Mr. Wang Chuanhong (汪傳宏), an Independent Third Party and an individual investor who held approximately 68.28% partnership interests in Chongqing Jiuyuxian. Other than Mr. Wang Chuanhong, there is no other partner holding more than one third of partnership interests in Chongqing Jiuyuxian.

Nanjing Chuangding Minghe

Nanjing Chuangding Minghe is a limited partnership established under the laws of PRC and its general partner is Nanjing Chuangding Mingrui Equity Investment Partnership (Limited Partnership) (南京創鼎銘銳股權投資合夥企業(有限合夥)) (“**Chuangding Mingrui**”). The fund manager of Nanjing Chuangding Minghe and the general partner of Chuangding Mingrui is CDC Investment Management Co., Limited (國創中鼎(上海)股權投資管理有限公司) (“**CDC**”), which is a registered private fund manager under the relevant PRC laws and ultimately controlled by Mr. Shi Haining (施海寧), an Independent Third Party. CDC is a private equity investment firm and Mr. Shi Haining primarily focuses on private equity investment area.

Hainan Agricultural

Hainan Agricultural is a private equity investment fund established under the laws of PRC, with an investment focus in the region of Hainan, the PRC. Its general partner and fund manager is Hainan Nongken Fund Management Co., Ltd. (海南農墾基金管理有限公司), a registered private fund manager under the relevant PRC laws holding approximately 0.2% partnership interests in Hainan Agricultural. The largest limited partner of Hainan Agricultural is Hainan Haiken Industry Investment Co., Ltd. (海南海墾產業投資有限公司) (formerly known as Hainan Nongken Financial Holding Co., Ltd. (海南農墾金融控股有限公司)), holding approximately 69.60% partnership interests. Each of Hainan Nongken Fund Management Co., Ltd. and Hainan Haiken Industry Investment Co., Ltd. is ultimately wholly owned by the PRC Government.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Chongqing Tengrong

Chongqing Tengrong is a limited partnership established under the laws of PRC. Its general partner is Qingdao Gaohong Supply Chain Management Consulting Co., Ltd. (青島高洪供應鏈管理諮詢有限公司) (“**Qingdao Gaohong**”), who held approximately 60.32% partnership interests in Chongqing Tengrong. Qingdao Gaohong is owned as to 51%, 47% and 2% by Ms. Cheng Yiching (程伊晴), Mr. Wu Xi (吳曦) and Mr. Hu Yuxi (胡餘希) respectively, each of whom is an Independent Third Party.

Zhuhai Wanheng

Zhuhai Wanheng is a limited partnership established under the laws of the PRC. Its general partner is Panzhou Chengzhen Supply Chain Management Co., Ltd. (盤州晟箴供應鏈管理有限公司) (“**Panzhou Chengzhen**”), who held 1% partnership interests in Zhuhai Wanheng while Mr. Wang Zhi (汪志), as a limited partner, held the remaining 99% partnership interests. Panzhou Chengzhen is owned as to 99% and 1% by Mr. Zhou Longrun (周隆潤) and Mr. Zhou Longguo (周隆國), respectively, each of whom is an Independent Third Party.

Zhuhai Jinyiming

Zhuhai Jinyiming is a private equity investment fund established under the laws of PRC and its general partner is Zhuhai Jinyiheng Enterprise Management Partnership (Limited Partnership) (珠海金鑑衡企業管理合夥企業(有限合夥)) (“**Zhuhai Jinyiheng**”). The general partner of Zhuhai Jinyiheng is Zhuhai Jinyifeng Enterprise Management Co., Ltd. (珠海金鑑豐企業管理有限公司), which is a wholly-owned subsidiary of Jinyi (Zhuhai) Equity Investment Management Co., Ltd. (金鑑(珠海)股權投資管理有限公司) (“**Jinyi Zhuhai**”). Jinyi Zhuhai, being the fund manager of Zhuhai Jinyiming and a registered private fund manager under the relevant PRC laws, is owned as to 50% and 50% by Mr. Li Shuai (李帥) and Mr. Song Xiaowei (宋曉威) respectively, each of whom is an Independent Third Party. Jinyi Zhuhai primarily invests in growth enterprises in the area of consumption upgrade and industry upgrade in the PRC.

Fenghui Entities

Each of the Fenghui Entities is a private equity investment fund established under the laws of PRC and each of its general partner and fund manager is Shanghai Fenghui Investment Management Co., Ltd. (上海豐會投資管理有限公司) (“**Shanghai Fenghui**”). Shanghai Fenghui is a registered private fund manager under the relevant PRC laws who held less than 2% of partnership interests in each of the Fenghui Entities. Shanghai Fenghui primarily focuses on growth enterprises in consumer, healthcare, advanced manufacturing, technology, media and telecom and internet sectors and it is owned as to 60%, 20%, 10% and 10% by Mr. Chen Yongxian (陳泳憲), Mr. Yuan Zhibin (袁志斌), Mr. Xie Anqiang (謝安強) and Mr. Mo Ying (莫英) respectively, each of whom is an Independent Third Party. Other than Mr. Wang Guangze

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(王廣澤) and Ms. Wang Hanjin (王涵錦), each of whom is an Independent Third Party held approximately 49.51% and 43.32% partnership interests in Fenghui Hongjiu respectively, there is no other partner holding more than one third of partnership interests in Fenghui Entities.

Suzhou Yingqi

Suzhou Yingqi is a private equity investment fund established under the laws of PRC and its general partner and fund manager is Suzhou Yingxu Fund Management Co., Ltd. (蘇州迎旭基金管理有限公司) (“**Suzhou Yingxu**”), a registered private fund manager under the relevant PRC laws who held approximately 0.28% of partnership interests in Suzhou Yingqi. Suzhou Yingxu is owned as to 70% and 30% by Ms. Tan Ying (譚迎) and Mr. Zhang Xuhui (張旭輝) respectively, each of whom is an Independent Third Party. Suzhou Yingqi focuses on investments in high-end equipment manufacturing, healthcare and consumer industry.

Capitallink Anjing

Capitallink Anjing is a private equity investment fund established under the laws of PRC and its general partner and fund manager is Capitallink (Beijing) Investment Fund Management Co., Ltd. (凱聯(北京)投資基金管理有限公司) (“**Capitallink Beijing**”), a registered private fund manager under the relevant PRC laws who held approximately 0.95% of partnership interests in Capitallink Anjing. Capitallink Beijing is owned as to 90% and 10% by Capitallink Investment Management Group Co., Ltd. (凱聯資本管理集團有限公司) (“**Capitallink Investment**”) and Beijing Capitallink International Investment Co., Ltd. (北京凱聯國際投資有限公司) (“**Capitallink International**”) respectively. Capitallink Investment is owned as to 90% and 10% by Capitallink International and Beijing Weishitong Information Technology Co., Ltd. (北京維視通信息技術有限公司) (“**Beijing Weishitong**”). Capitallink International primarily engages in asset management and investment management activities and is owned as to 97% and 3% by Mr. Wang Wei (王瑋) and Ms. Liu Guiqin (劉桂琴) respectively, each of whom is an Independent Third Party. Beijing Weishitong is owned as to 95% and 5% by Mr. Wang Wei and Ms. Liu Guiqin.

Zhongan Runxin

Zhongan Runxin is an investment fund established under the laws of PRC and its general partner is China Capital Management Co., Ltd. (中信建投資本管理有限公司) (“**China Capital Management**”) and Anhui Railway Development Fund Co., Ltd. (安徽省鐵路發展基金股份有限公司) (“**Anhui Railway**”) is the largest limited partner of Zhongan Runxin. China Capital Management is a wholly-owned subsidiary of China Securities Co., Ltd. (中信建投證券股份有限公司), which is listed on the Stock Exchange with stock code 6066 and Shanghai Stock Exchange with stock code 601066.SH, respectively. Anhui Railway is a company incorporated under the laws of PRC, which is ultimately controlled by the PRC Government.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

SCGC

SCGC is a company established under the laws of PRC with limited liability, which was established in August 1999 under the sponsorship from the Shenzhen Municipal Government, who still holds 28.1952% equity interest as its largest shareholder. SCGC primarily focuses on venture capital investments to nurture and cultivate entrepreneurship and innovation. SCGC mainly invests in companies in the area of information technology, new media, healthcare, new energy, consumer goods, etc. during their emerging phases. To the best knowledge of our Directors, SCGC and its ultimate beneficial owners are Independent Third Parties.

Chongqing Yeruhongtu

Chongqing Yeruhongtu is a private equity investment fund incorporated under the laws of PRC and its general partner and fund manager is Chongqing Yeruhongtu Equity Investment Fund Management Co., Ltd. (重慶業如紅土股權投資基金管理有限公司) (“**Yeruhongtu Equity**”), a registered private fund manager under the relevant PRC laws who held approximately 0.99% of partnership interests in Chongqing Yeruhongtu. Yeruhongtu Equity is owned as to 60%, 30% and 10% by SCGC Hongtu Equity Investment Management (Shenzhen) Co., Ltd. (深創投紅土股權投資管理(深圳)有限公司) (“**SCGC Hongtu**”), Chongqing Yeru Equity Investment Fund Management Co., Ltd. (重慶業如股權投資基金管理有限公司) (“**Chongqing Yeru**”) and Chongqing Industry Guidance Equity Investment Fund Co., Ltd. (重慶產業引導股權投資基金有限責任公司), (“**Chongqing Industry**”) respectively. SCGC Hongtu is wholly owned by SCGC. Chongqing Yeru is controlled by Yeru Financial Holdings Co., Ltd. (業如金融控股有限公司), which is in turn controlled by Chongqing Zhongganrui Enterprise Management Co., Ltd. (重慶中乾瑞企業管理有限責任公司) (“**Chongqing Zhongganrui**”). Chongqing Zhongganrui is owned as to 73.5% and 26.5% to Mr. Jiang Yu (蔣宇) and Ms. Fa Baozhen (法寶珍), respectively and each of whom is an Independent Third Party. Chongqing Industry is controlled by Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司), which is ultimately owned by the PRC Government.

Tianjin Weixiang

Tianjin Weixiang is a company incorporated under the laws of PRC with limited liability and primarily engaged in investment management. Tianjin Weixiang is a wholly-owned subsidiary of Shenzhen Mingde, which is owned as to 99.9% by Mr. Wang Wei (王衛), an Independent Third Party. As of the Latest Practicable Date, Mr. Wang Wei is the chairman of the board and general manager of S.F. Holding Co., Ltd. (順豐控股股份有限公司), a company with its A shares listed on the Shenzhen Stock Exchange (stock code: 002352.SZ).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Beijing Weicheng

Beijing Weicheng is a company established under the laws of PRC with limited liability, being owned as to 71.5476% and 28.4524% by Mr. Ma Hongwei (馬洪偉) and Ms. Lu Ailin (陸愛林) respectively, each of whom is an Independent Third Party. Mr. Ma Hongwei is the founder of the PRC furniture brand “Pedeco (百德木門)”.

Minli Shanghai

Minli Shanghai is a company established under the laws of PRC with limited liability, being a wholly owned subsidiary of Banner (China) Investment Company Limited (敏利 (中國) 企業有限公司). Banner (China) Investment Company Limited is a limited liability company incorporated in Hong Kong, which is ultimately controlled by Tjiang Giok Moy, an Independent Third Party. Minli Shanghai is principally engaged in leasing and management of commercial complex.

Ms. Li Xia

Ms. Li Xia is a private investor. Ms. Li Xia, born in August 1979, is a Chinese citizen who has obtained a diploma in accounting from Xinjiang Agricultural University (新疆農業大學) in the PRC in July 2008 and is an Independent Third Party.

SHAREHOLDING STRUCTURE OF OUR COMPANY

The table below sets forth the summary of the shareholding structure of our Company as of the Latest Practicable Date and the Listing Date (assuming the Over-allotment Option is not exercised):

Shareholder	As of the Latest Practicable Date		As of the Listing Date
	Number of Shares	Approximate shareholding percentage	Approximate shareholding percentage (assuming Over-allotment Option is not exercised)
Mr. Deng ⁽¹⁾⁽²⁾	125,925,916	27.7937%	26.9599%
Ms. Jiang ⁽¹⁾⁽²⁾	42,726,650	9.4304%	9.1475%
Alibaba China ⁽¹⁾	36,245,913	8.0000%	7.7600%
China Agricultural ⁽¹⁾	29,839,365	6.5860%	6.3884%
Suzhou Zhilan ⁽¹⁾	24,536,019	5.4155%	5.2530%
Chongqing Yibainian ⁽¹⁾	18,299,883	4.0391%	3.9179%
Tianshi Renhe ⁽¹⁾	17,550,651	3.8737%	3.7575%
Sunshine Life ⁽¹⁾	14,919,681	3.2930%	3.1942%
Deng Haoji ⁽¹⁾⁽²⁾	13,592,217	3.0000%	2.9100%
Deng Haoyu ⁽¹⁾⁽²⁾	13,592,217	3.0000%	2.9100%
Chongqing Jiuyuxian ⁽¹⁾	12,941,805	2.8564%	2.7708%
Chongqing Heli ⁽¹⁾⁽²⁾	8,600,250	1.8982%	1.8413%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholder	As of the Latest Practicable Date		As of the Listing Date
	Number of Shares	Approximate shareholding percentage	Approximate shareholding percentage (assuming Over-allotment Option is not exercised)
Nanjing Chuangding Minghe ⁽¹⁾	8,287,818	1.8292%	1.7744%
Hainan Agricultural ⁽¹⁾	7,459,839	1.6465%	1.5971%
Chongqing Tengrong ⁽¹⁾	7,459,839	1.6465%	1.5971%
Zhuhai Jinyiming ⁽¹⁾	7,077,696	1.5622%	1.5153%
Lianhe Yihao ⁽¹⁾	6,375,000	1.4071%	1.3648%
Fengsheng Yihao ⁽¹⁾	6,087,225	1.3435%	1.3032%
Fenghui Hongjiu ⁽¹⁾	6,000,000	1.3243%	1.2846%
Suzhou Yingqi ⁽¹⁾	4,718,466	1.0414%	1.0102%
Capitallink Anjing ⁽¹⁾	4,718,466	1.0414%	1.0102%
Chongqing Hezhong ⁽¹⁾⁽²⁾	4,238,100	0.9354%	0.9073%
Fenghui Joint ⁽¹⁾	3,750,000	0.8277%	0.8028%
Li Xia ⁽¹⁾	3,580,722	0.7903%	0.7666%
Zhongan Runxin ⁽¹⁾	3,261,288	0.7198%	0.6982%
SCGC ⁽¹⁾	2,983,935	0.6586%	0.6388%
Chongqing Yeruhongtu ⁽¹⁾	2,983,935	0.6586%	0.6388%
Tianjin Weixiang ⁽¹⁾	2,831,079	0.6249%	0.6061%
Beijing Weicheng ⁽¹⁾	2,685,540	0.5927%	0.5750%
Minli Shanghai ⁽¹⁾	1,887,387	0.4166%	0.4041%
Peng He ⁽¹⁾⁽²⁾	1,677,000	0.3701%	0.3590%
Huang Ke ⁽¹⁾	975,000	0.2152%	0.2087%
Yang Junwen ⁽¹⁾⁽²⁾	975,000	0.2152%	0.2087%
Zhang Zhongwei ⁽¹⁾	975,000	0.2152%	0.2087%
Zhou Xiansheng ⁽¹⁾	975,000	0.2152%	0.2087%
Tan Bo ⁽¹⁾⁽²⁾	975,000	0.2152%	0.2087%
Yu Lixia ⁽¹⁾⁽²⁾	507,000	0.1119%	0.1085%
Yu Wenli ⁽¹⁾⁽²⁾	195,000	0.0430%	0.0417%
Xiang Min ⁽¹⁾	195,000	0.0430%	0.0417%
Lv Zongjie ⁽¹⁾	195,000	0.0430%	0.0417%
Luo Xiaoqin ⁽¹⁾	195,000	0.0430%	0.0417%
Jiang Qinghui ⁽¹⁾	78,000	0.0172%	0.0167%
Investors participating in the Global Offering	—	—	3.0000%
Total	453,073,902	100%	100%

Notes:

- (1) As of the Latest Practicable Date, the Shares held by these Shareholders are Domestic Shares. Immediately upon the completion of the Global Offering, 296,516,495 Domestic Shares held by these Shareholders will be converted into H Shares upon approval by the CSRC. For details of the conversion, please refer to the section headed “Share Capital — Conversion of Our Domestic Shares into H Shares” in this Prospectus. We have received the approval letter dated January 13, 2022 from the CSRC for the Conversion of Domestic Shares into H Shares, and such Conversion of Domestic Shares into H Shares is also subject to the approval by the Stock Exchange.
- (2) Such Shareholders are core connected persons of our Company upon completion of the Global Offering.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

PUBLIC FLOAT

Upon completion of the Global Offering and Conversion of the Domestic Shares into H Shares (assuming the Over-allotment Option is not exercised), the Controlling Shareholders Group (being Mr. Deng, Ms. Jiang, Mr. Deng Haoji, Ms. Deng Haoyu, Chongqing Hezhong and Chongqing Heli), Mr. Peng He (an executive Director), Mr. Yang Junwen (an executive Director), Ms. Yu Wenli (the wife of Mr. Yang Junwen), Ms. Tan Bo (an executive Director) and Ms. Yu Lixia (a Supervisor) will hold 208,675,350 Shares, 1,677,000 Shares, 975,000 Shares, 195,000 Shares, 975,000 Shares and 507,000 Shares, respectively, representing approximately 44.6760%, 0.3590%, 0.2087%, 0.0417%, 0.2087% and 0.1085% of interest in our enlarged total share capital, and such Shares will not be counted towards the public float of our Company.

Save as disclosed above, no other Shareholder (including the Pre-IPO Investors) (i) is a core connected person of our Company (as defined under the Listing Rules); (ii) has been financed directly or indirectly by a core connected person of our Company for the subscription of Shares; or (iii) is accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other dispositions of the Shares registered in his/her/its name or otherwise held by him/her/it, and all the H Shares held by such Shareholders will count towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules upon the Listing. In addition, immediately after the completion of the Global Offering, the 156,557,407 Domestic Shares held by Shareholders of our Company that have not been converted into H Shares will not be counted towards the public float of our Company. Based on the above, it is expected that immediately following completion of the Global Offering and Conversion of the Domestic Shares into H Shares (assuming the Over-allotment Option is not exercised), the total number of listed H Shares of our Company held by the public represents approximately 47.6984% of the total number of issued Shares of our Company. Therefore, our Company will be able to fulfill the minimum public float requirement under Rule 8.08 of the Listing Rules.

LISTING AND DELISTING PLAN FROM THE CSTC

In April 2013, Chongqing Hongjiu Fruit Company Limited was converted into a joint stock limited company and renamed as Chongqing Hongjiu Fruit Co., Limited. In June 2013, our Shares have commenced listing on the CSTC under the stock code of 910099. On September 6, 2021, the shareholders' resolution regarding the voluntary delisting of our Company from the CSTC upon the receipt of regulatory approval from the CSTC was passed. Based on our consultation with CSTC and our PRC Legal Advisers have confirmed that, in accordance with the "Measures for the Quotation and Transfer of Shares of Non-listed Limited Company" (《非上市股份有限公司股份報價轉讓辦法》) of CSTC and relevant regulatory provisions, only upon the receipt of notice to hearing or listing approval in principle from the Stock Exchange, CSTC would process the delisting application of our Company. Based on our consultation with CSTC, the delisting application would typically require ten working days to

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

complete and our PRC Legal Advisers have advised us that there is no substantial legal impediment for us to complete the delisting from CSTC prior to the Listing on the Stock Exchange. Therefore, we expect the delisting from CSTC shall be completed prior to the Listing on the Stock Exchange.

Since our listing on the CSTC, CSTC has served as a depository for our then issued Shares only and have had no public trading. Accordingly, immediately before our then issued Shares to be delisted from the CSTC, none of our then issued Shares were publicly traded on the CSTC market, hence there was no trading price or market capitalisation recorded.

Our Directors have confirmed that, to the best of their knowledge and belief, none of our Company, our subsidiaries, their respective directors or senior management had been the subject of any investigation or disciplinary actions by any relevant authorities or regulators in relation to our quotation on the CSTC. Further, our Directors have confirmed that, to the best of their knowledge and belief, and the PRC Legal Advisers believe that (a) based on the confirmation of competent authority, during the period that our Company was listed on CSTC, the Company complied with the laws and regulations and the relevant business rules and guidelines of the CSTC. There is no record of being processed by CSTC due to violation of laws and regulations and relevant business rules and guidelines of CSTC; and (b) there are no further matters in relation to the prior listing of our Company that need to be brought to the attention of the Stock Exchange or our Shareholders. Based on the independent due diligence work performed by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would reasonably cause the Sole Sponsor to disagree with the Directors' view above.

We have obtained a written confirmation issued by the CSTC, which confirmed that our Company, its Shareholders, Directors, Supervisors and senior management had been in compliance with the laws, regulations and relevant business rules and guidelines of the CSTC and there was no record of being processed by CSTC due to violation of laws and regulations and relevant business rules and guidelines of CSTC. Our Directors are of the view that, the delisting from the CSTC would be a beneficial and strategic decision to our Company based on our business development plans and desire to attain greater access to international investors and markets by Listing on the Stock Exchange. Our Directors believe that the delisting from the CSTC and the Listing on the Stock Exchange will be in the interests of our Group and the Shareholders as a whole since Hong Kong, being a gateway between the PRC and the international market, will allow our Company to have greater access to international investors and global markets and hence, provide us a wider source of capital to support our business expansion.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

GUIDANCE RECEIVED FOR POTENTIAL INITIAL PUBLIC OFFERING

To explore the opportunity of establishing a capital market platform in the A-share market in the PRC, in November 2019, we entered into a guidance agreement (the “**2019 Guidance Agreement**”) with a qualified A-share sponsor to receive guidance on A-share listing in the PRC (the “**A-share Listing Guidance**”). Subsequently, with a view to also allowing flexibility in exploring financing opportunities in the international market, we decided to engage China International Capital Corporation Limited (“**CICC**”, the holding company of the Sole Sponsor) to receive the A-share Listing Guidance taking into consideration of the capabilities and resources of CICC and its affiliates in both the PRC and international capital markets. We therefore terminated the 2019 Guidance Agreement in April 2020 and entered into a guidance agreement with CICC in July 2020, which was also terminated in September 2021 during the course of our preparation for the Listing.

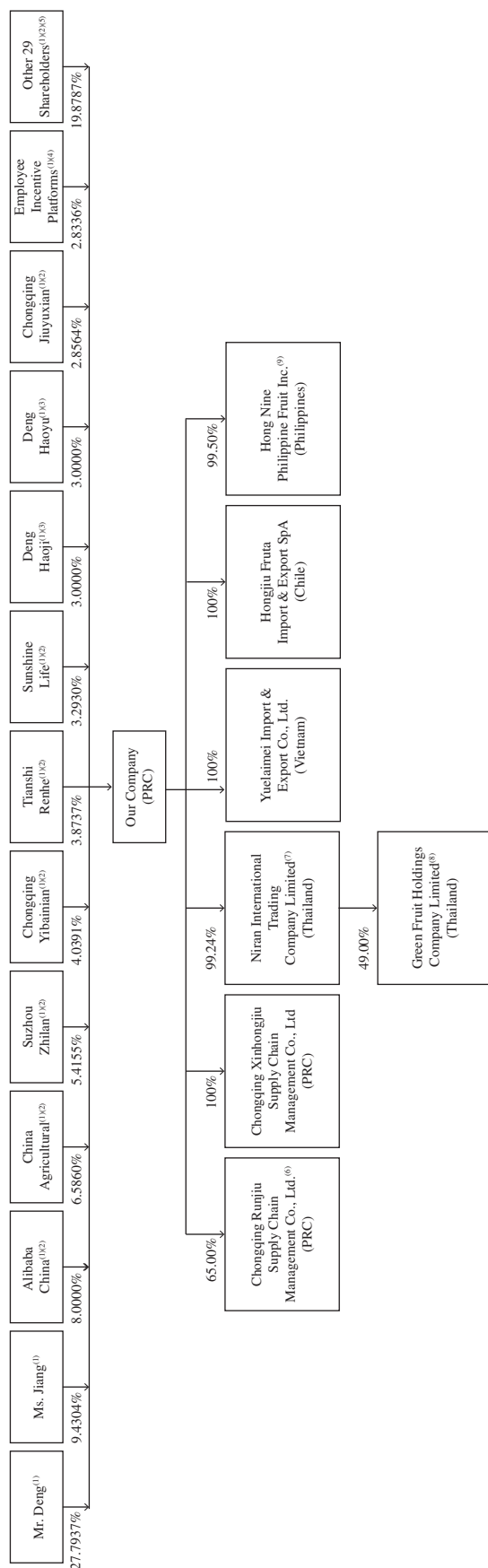
Since the execution of the 2019 Guidance Agreement and up to the Latest Practicable Date, our Company had not submitted any A-share listing application to the CSRC or any stock exchanges in the PRC and therefore had not received any comments or inquiries from the relevant regulators, including the CSRC, any stock exchanges in the PRC and/or their respective local offices. To the best of our Directors’ knowledge and belief, our Directors are not aware of any other material matters relating to the A-share Listing Guidance stated above that might potentially affect the suitability of the Company to be listed on the Stock Exchange. Based on the independent due diligence work performed by the Sole Sponsor, the Sole Sponsor is not aware of any other material matters relating to the Company’s A-share listing attempt that need to be brought to the Company’s investors or Stock Exchange’s attention.

REASONS FOR THE LISTING

The Directors are of the view that Listing on the Stock Exchange will be in the interests of the Group and the Shareholders as a whole given the well-established market reputation of the Stock Exchange and Hong Kong being a gateway to both the PRC and the international market, the Company will be able to gain greater access to diversified international investors and wider sources of capital, which will in turn commercially benefit the Group’s business expansion plan, as described in the section headed “Future Plans and Use of Proceeds”. The Listing on the Stock Exchange would also enhance our corporate governance structure and brand awareness which is beneficial to our cooperation with overseas business partners and our potential expansion in overseas region through leveraging on our supply chain management capability.

CORPORATE STRUCTURE IMMEDIATELY BEFORE COMPLETION OF THE GLOBAL OFFERING

The chart below sets out the shareholding structure of our Company immediately before completion of the Global Offering:



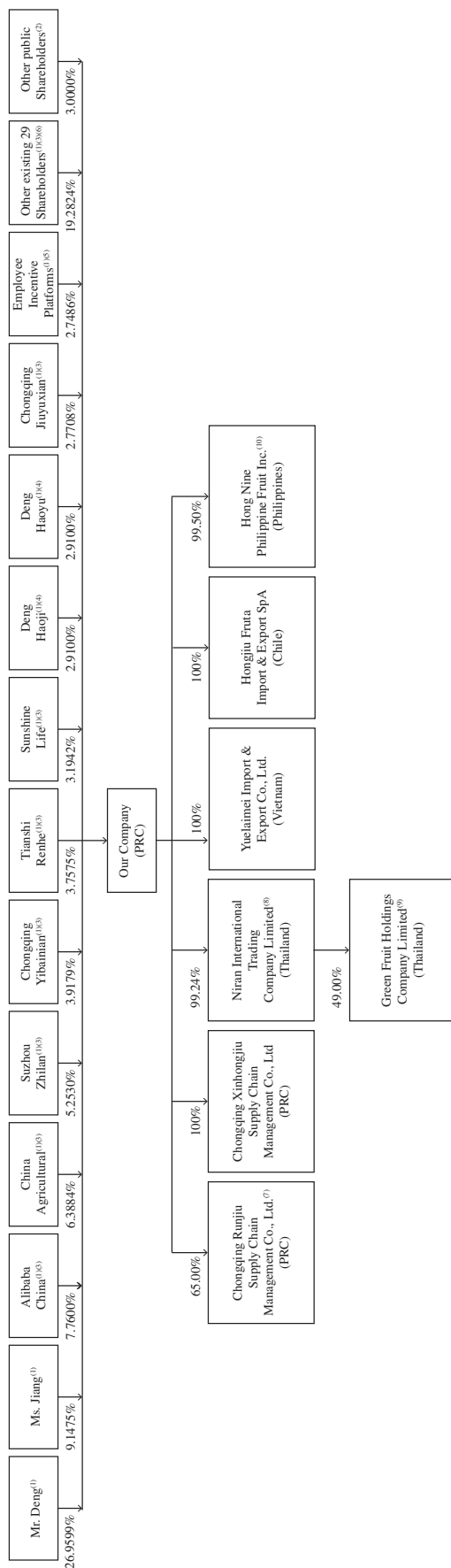
Notes:

- (1) The Shares held by the above Shareholders are Domestic Shares.
- (2) Please refer to the subsection headed “— Further Details of the Pre-IPO Investments — 5. Information of the Pre-IPO Investors” for the beneficial owners of our Pre-IPO Investors and their relationship with our Company.
- (3) Each of Mr. Deng Haoji and Ms. Deng Haoyu is the son and daughter of Mr. Deng and Ms. Jiang respectively.
- (4) For details of our Employee Incentive Platforms, please refer to the subsection headed “— Major Shareholding Changes of Our Group — 2. Employee Incentive Platforms” in this section.

- (5) Among the 29 other Shareholders, as of the Latest Practicable Date, there were 12 Shareholders who were Directors, their relatives, Supervisor or current employees of our Company, including (i) Mr. Peng He was our executive Director; (ii) Ms. Jiang Qinghui was the elder sister of Ms. Jiang; (iii) Mr. Yang Junwen was our executive Director, the nephew of Mr. Deng and Ms. Yu Wenli is the wife of Mr. Yang Junwen; (iv) Ms. Tan Bo was our executive Director; and (v) Ms. Yu Lixia was our Supervisor. The 17 other Shareholders include Nanjing Chuangding Minghe, Hainan Agricultural, Chongqing Tengrong, Zhuhai Jinyiming, Lianhe Yihao, Fengsheng Yihao, Fenghui Hongjiu, Suzhou Yingqi, Capitallink Anjing, Fenghui Joint, Li Xia, Zhongan Runxin, SCGC, Chongqing Yeruhongtu, Tianjin Weixiang, Beijing Weicheng and Mimi Shanghai, each being a Pre-IPO Investor. Please refer to the subsection headed “Further Details of the Pre-IPO Investments — 5. Information of the Pre-IPO Investors” for further details. Each of Mr. Peng He, Mr. Yang Junwen, Ms. Yu Wenli, Ms. Tan Bo and Ms. Yu Lixia is a core connected person of our Company and, accordingly, his or her Shares will not be counted towards the public float. Save as disclosed above, the Shares held by the remaining 24 other shareholders will be counted towards the public float.
- (6) Chongqing Runjiu was owned as to 65.00% and 35.00% by our Company and Chongqing Runchuang, an Independent Third Party (other than being a substantial shareholder in Chongqing Runjiu), respectively.
- (7) Niran International was owned as to 99.24%, 0.54% and 0.22% by our Company, Mr. Rungrueang Wiromrat and Mr. Thawee Saewang respectively. Mr. Rungrueang Wiromrat was the director of Niran International Trading Company Limited and Mr. Thawee Saewang was the director of Green Fruit.
- (8) Green Fruit was owned as to 49.00%, 25.50% and 25.50% by Niran International (a non-wholly owned subsidiary of our Company), Mr. Thawee Saewang and Mr. Rungrueang Wiromrat, respectively. Despite not holding majority shareholding in Green Fruit, our Company has majority voting power of Green Fruit in accordance with the articles of association of Green Fruit. Therefore, our Company has control over Green Fruit and Green Fruit was accounted for as a subsidiary of our Company as of the Latest Practicable Date.
- (9) Hong Nine was owned as to 99.50% by our Company and the remaining equity interest was owned as to 0.10%, 0.10%, 0.10%, 0.10% and 0.10% by Jessie O. Aquino, Donna Olive S. Montia, Dometila O. Aquino, Edwin O. Aquino and Nenita C. Tomamac respectively, each of whom is a director of Hong Nine.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE GLOBAL OFFERING

The chart below sets out the shareholding structure of our Company immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

- Immediately upon the completion of the Global Offering, 296,516,495 Domestic Shares held by these Shareholders will be converted into H Shares upon approval by the CSRC. For details of the conversion, please refer to “Share Capital — Conversion of Our Domestic Shares into H Shares” in this Prospectus. Such Conversion of Domestic Shares into H Shares has been approved by the CSRC on January 13, 2022 and such Conversion of Domestic Shares into H Shares is also subject to the approval by the Stock Exchange.
- The Shares held by these Shareholders are H Shares.
- Please refer to the subsection headed “— Further Details of the Pre-IPO Investments — 5. Information of the Pre-IPO Investors” for the beneficial owners of our Pre-IPO Investors and their relationship with our Company.
- Each of Mr. Deng Haoji and Ms. Deng Haoyu is the son and daughter of Mr. Deng and Ms. Jiang respectively.
- For details of our Employee Incentive Platforms, please refer to the subsection headed “Major Shareholding Changes of Our Group — 2. Employee Incentive Platforms” in this section.

- (6) Among the 29 other Shareholders, as of the Latest Practicable Date, there were 12 Shareholders who were Directors, their relatives, Supervisor or current employees of our Company, including (i) Mr. Peng He was our executive Director; (ii) Ms. Jiang Qinghui was the elder sister of Ms. Jiang; (iii) Mr. Yang Junwen was our executive Director, the nephew of Mr. Deng and Ms. Yu Wenli is the wife of Mr. Yang Junwen; (iv) Ms. Tan Bo was our executive Director; and (v) Ms. Yu Lixia was our Supervisor. The 17 other Shareholders include Nanjing Chuangding Minghe, Hainan Agricultural, Chongqing Tengrong, Zhuhai Jinyiming, Lianhe Yihao, Fengsheng Yihao, Fenghui Hongjiu, Suzhou Yingqi, Capitallink Anjing, Fenghui Joint, Li Xia, Zhongan Runxin, SCGC, Chongqing Yeruhongtu, Tianjin Weixiang, Beijing Weicheng and Mimi Shanghai, each being a Pre-IPO Investor. Please refer to the subsection headed “Further Details of the Pre-IPO Investments — 5. Information of the Pre-IPO Investors” for further details. Each of Mr. Peng He, Mr. Yang Junwen, Ms. Yu Wenli, Ms. Tan Bo and Ms. Yu Lixia is a core connected person of our Company and, accordingly, his or her Shares will not be counted towards the public float. Save as disclosed above, the Shares held by the remaining 24 other shareholders will be counted towards the public float.
- (7) Chongqing Runjiu was owned as to 65.00% and 35.00% by our Company and Chongqing Runchuang, an Independent Third Party (other than being a substantial shareholder in Chongqing Runjiu), respectively.
- (8) Niran International was owned as to 99.24%, 0.54% and 0.22% by our Company, Mr. Rungrueang Wiromrat and Mr. Thawee Saewang respectively. Mr. Rungrueang Wiromrat was the director of Niran International and Mr. Thawee Saewang was the director of Green Fruit.
- (9) Green Fruit was owned as to 49.00%, 25.50% and 25.50% by Niran International (a non-wholly owned subsidiary of our Company), Mr. Thawee Saewang and Mr. Rungrueang Wiromrat, respectively. Despite not holding majority shareholding in Green Fruit, our Company has majority voting power of Green Fruit in accordance with the articles of association of Green Fruit. Therefore, our Company has control over Green Fruit and Green Fruit was accounted for as a subsidiary of our Company as of the Latest Practicable Date.
- (10) Hong Nine was owned as to 99.50% by our Company and the remaining equity interest was owned as to 0.10%, 0.10%, 0.10% and 0.10% by Jessie O. Aquino, Donna Olive S. Monta, Dometila O. Aquino, Edwin O. Aquino and Nenita C. Tomamac respectively, each of whom is a director of Hong Nine.

BUSINESS OVERVIEW

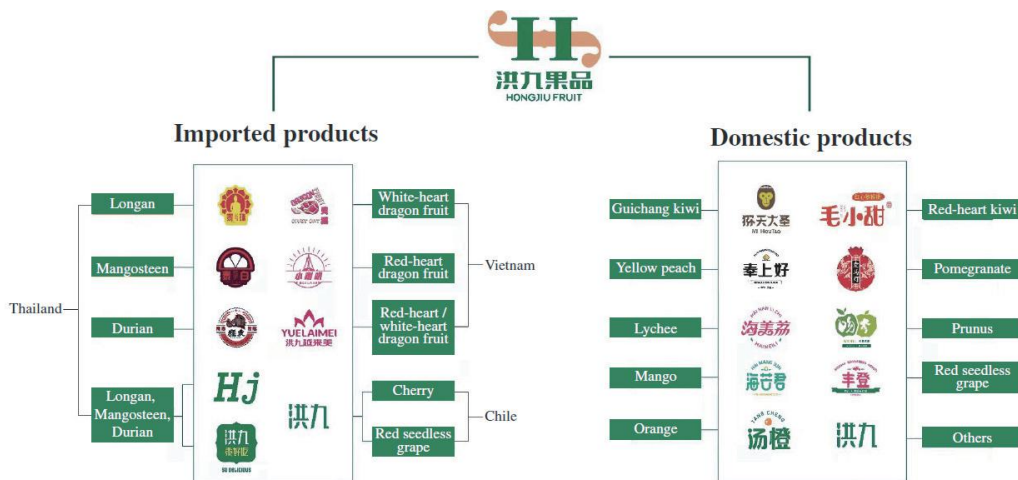
We are a fast-growing and multi-brand fruit company in China with an end-to-end supply chain propelled by advanced digital capabilities. We focus on the entire supply chain operations for quality fruits primarily from China, Thailand and Vietnam. Capitalizing on our extensive industry experience accumulated through nearly 20 years of operations, we established a product portfolio covering 49 fruit categories as of the Latest Practicable Date, among which durian, mangosteen, longan, dragon fruit, cherry and grapes are our core products. Through selecting and sourcing quality fruits from over 100 places of origin, together with direct procurement, standardized processing, and digitalized supply chain management, we have built up a portfolio of self-owned fruit brands covering a variety of categories. Leveraging our strategic penetration into premium places of origin, sales and distribution network across China, and efficient end-to-end supply chain, we are able to distribute our fruit products directly from orchards to retailers across China.

During the Track Record Period, we focused on developing fruit products in categories that enjoy fast-growing market share and high consumption values in China. We were China’s largest durian distributor, as well as one of the top five distributor of dragon fruit, mangosteen and longan, by sales revenue in 2021, according to CIC.

Our Brands

Fruit is generally sold unbranded across categories, resulting in homogeneous competition and low profitability. Leveraging our branding capabilities and premium fruit attributes, we have successfully built 18 fruit brands across 14 fruit categories, leading to a distinctive market position and increased market share.

We are committed to increasing public awareness of our *Hongjiu Fruit* (洪九果品) brand and have strategically built brands with catchy names for select fruit products based on fruit quality and category. The diagram below shows our selected brands:



BUSINESS

During the Track Record Period, revenue generated from our branded fruit products accounted for over 70% of our total revenue, which was well above the industry average. We have successfully carried all of our core fruit products under self-owned brands during the Track Record Period.

Our brands are highly regarded by consumers. As of May 31, 2022, eight of China's top ten supermarkets in 2021 by sales revenue were our customers. In addition, due to the premium attributes of our branded durian products, our market share in China's durian distribution market has continually increased from 2.8% in 2019 to 8.3% in 2021 by sales revenue, according to CIC.

Our End-to-End Supply Chain

We have built a digitalized end-to-end supply chain in the fresh fruit industry spanning across all of our fruit products. We source the majority of our branded fruit products directly from their origins, process and grade them at local fruit processing plants, and further distribute them to customers across China.

Our end-to-end supply chain consists of the following elements:

- ***Deep penetration into places of origin for procurement and processing***

To ensure the quality of our products from the start, we have effectively penetrated into the places of origin for multiple fruit categories and undertake direct procurement in relevant regions. As of May 31, 2022, we had 16 fruit processing plants and a local team of nearly 400 employees in the places of origin of our core fruit products in Thailand and Vietnam, enabling us to carry out in-depth collaboration with local orchards and conduct fruit sorting and packaging right after harvest. As a result of our local presence and long-term cooperation with local orchards, we have gained strong bargaining power and established formidable entry barriers in the local markets. In particular, our durian procurements in Thailand accounted for 10.1% of the total durian import volume from Thailand to China in 2021.

- ***Efficient disintermediation and digital-driven distribution network***

The traditional distribution network of China's fresh fruit industry is multi-layered and characterized by redundancies, high loss rates as well as data fragmentation, making it difficult to realize a complete digitalization in the industry. We have reshaped the traditional model by substantially cutting out intermediaries involved and offering one-stop solutions, thereby tamping costs associated with distribution and loss rates. We have also developed a digital system that streamlines our entire business operation, which has improved our fulfillment capabilities and service quality. The lean supply chain structure and digital empowerment enable us to

BUSINESS

realize efficiency and synergies, improving operational efficiency and reducing loss rates at the same time. We had an industry-leading loss rate of 1.3% in 2021, while the average loss rate of the industry ranged from approximately 1% to 5%.

- ***Comprehensive distribution sales grids with national coverage in China***

As of May 31, 2022, we established 19 sales branches and 60 sorting centers across China supporting sales to 300 cities. We keep up with the latest trends in the fruit retailing industry and continue to increase sales to emerging retailers, in addition to terminal wholesalers, supermarkets and direct sales. The revenue generated from our sales to emerging retailers increased from RMB471.4 million in 2019 to RMB2,133.6 million in 2021, representing a CAGR of 112.7% from 2019 to 2021, and increased by 14.5% from RMB1,035.0 million in the five months ended May 31, 2021 to RMB1,184.8 million in the five months ended May 31, 2022. According to CIC, we were a leading fruit distributor for emerging retailers in China in 2021.

Our Rapid Growth

We are one of the fastest-growing enterprises in China's fresh fruit industry. Our revenue increased from RMB2,077.7 million in 2019 to RMB10,280.1 million in 2021, representing a CAGR of 122.4%, and increased by 25.1% from RMB4,575.7 million in the five months ended May 31, 2021 to RMB5,725.1 million in the five months ended May 31, 2022. We have also achieved adjusted profit margins (non-IFRS measure) of 11.0%, 11.5%, 10.6% and 13.0%, respectively, during the Track Record Period. Our adjusted profit (non-IFRS measure) increased from RMB228.3 million in 2019 to RMB1,089.6 million in 2021, representing a CAGR of 118.5%, and increased by 39.6% from RMB533.4 million in the five months ended May 31, 2021 to RMB744.5 million in the five months ended May 31, 2022.

OUR STRENGTHS

Fast-growing Player in Fresh Fruit Industry with Strong Momentum for Future Development

Engaged in the fresh fruit industry for nearly 20 years, we have been developing our own fruit brands since 2013. Leveraging our extensive expertise and resources, we have built a product portfolio comprising 49 fruit categories known for delicacy and freshness.

We exhibit advantages in durian, dragon fruit, mangosteen and longan, which enjoy huge sales volumes in China that have been rapidly and continuously increasing. According to CIC, the aggregate retail value of these four fruits is expected to increase from RMB105.6 billion in 2021 to RMB228.0 billion in 2026, representing a CAGR of 16.6% from 2021 to 2026. In particular, durian has become China's largest imported fruit category, with a retail value of RMB52.4 billion in China in 2021. Among the fruit categories by retail value above RMB10.0 billion in 2021, durian is expected to have the fastest growth rate in the next five years and reach a retail value of RMB130.6 billion in 2026, representing an expected

BUSINESS

CAGR of 20.1% from 2021 to 2026, according to CIC. We believe that our strategy will enable us to accurately grasp business opportunities in fruit categories with great development potential, as well as in the anticipated market trend driven by consumption upgrade in China, thereby creating enormous prospects for future growth.

We are one of the fastest-growing companies in China's fresh fruit industry. We have experienced remarkable growth during the Track Record Period. Our revenue increased from RMB2,077.7 million in 2019 to RMB10,280.1 million in 2021, representing a CAGR of 122.4%, and increased by 25.1% from RMB4,575.7 million in the five months ended May 31, 2021 to RMB5,725.1 million in the five months ended May 31, 2022. The growth rate of our revenue far exceeded the growth rate of the overall industry, according to CIC.

We typically place orders in advance to secure the production yield of orchards, ensuring a long-term and stable supply of delicious branded fruits. This helps us to continuously enhance customer recognition and loyalty towards our fruit products, resulting in heightened brand influence and increased sales. Simultaneously, the growing market demand for our products will in turn improve our ability to secure additional production yield from orchards and increase bargaining power with suppliers. Leveraging our capabilities in procurement and supply chain management, we have formed a self-reinforcing virtuous circle where we benefit from continued growth in market share and profitability.

We replicate our success in developing more fruit brands, as evidenced by our successful track record. We launched our first fruit brand in longan in 2013, which quickly became one of our top-selling products. Since then we replicated our success and rolled out more brands for other fruit categories, including durian, mangosteen, dragon fruit, yellow peach and kiwi, establishing a diversified brand portfolio.

A Portfolio of Fruit Brands with Product Competitiveness

We have been leading the upgrade of China's fruit branding. In 2021, revenue from sales of fruit under our self-owned brands accounted for 73.3% of our total revenue, which was significantly higher than the industry average of 34%, according to CIC. In particular, we carry all of our core fruit products under self-owned brands.

We implement a multi-category and multi-brand strategy. As of May 31, 2022, we have launched 18 fruit brands across 14 fruit categories. We have access to information on the market trends, which helps us to identify and select appropriate fruit categories for new brands. Leveraging the outstanding reputation of our established brands, we managed to gain remarkable market acceptance for our new branded products in a short phase.

We believe the freshness and delicacy of our fruit products speak for themselves. Under this brand philosophy, we source and distribute appropriate fruit categories from premium places of origin, facilitating us to increase product competitiveness.

BUSINESS

In identifying appropriate fruit categories for branding, we capture huge opportunities brought by China's consumption upgrade, and focus on fruits with premium attributes and consumption scale. Upholding the principle of “*one and only place*” (找遍全球,唯有此地), we source only from places that excel at producing fruits with premium attributes. During the Track Record Period, we sourced durian, longan, and mangosteen from Thailand, dragon fruit from Vietnam, red grapes and cherry from Chile, yellow peach from Fengjie County in Chongqing, and kiwi from Xifeng County in Guizhou Province. As a result, we have successfully rolled out various branded fruit products that have been well received by consumers.

In developing our products, we selectively form in-depth collaboration with local orchards to ensure quality from the start. We also adopt stringent processing, grading and packaging procedures to convert fruits into standardized products with ensured quality that satisfy our quality standards for freshness, appearance, crispness and sweetness. For instance, in developing longan under the brand *Hongjiu Taihaochi* (洪九泰好吃), we stringently select orchards with trees aged over 15 years, instruct growers to perform fruit thinning in strict compliance with our requirements, and harvest the longan at the optimal time, achieving a fruit commodification rate above 95%.

Benefiting from our outstanding product competitiveness, our brands have been highly recognized by consumers. According to a Survey conducted by CIC, more than 81% of interviewed consumers recommend our select brands: *Hongjiu Taihaochi* durian (洪九泰好吃榴蓮), *Hongjiu Yuelaimi* dragon fruit (洪九越來美火龍果) and *Hongjiu Fengshanghao* yellow peach (洪九奉上好黃桃), and more than 83% of the interviewed consumers rate us five out of five in terms of satisfaction with taste, freshness, appearance, affordability and packaging. About 88% of the interviewees confirmed that they are willing to purchase our new products. Due to the rising popularity of our products among the public, eight of China's top ten supermarkets in 2021 by sales revenue were our customers as of May 31, 2022, according to CIC.

End-to-End Operational Capability across the Entire Value Chain

We procure fruits directly from their places of origin. In particular, in order to ensure quality control from plantations and secure a supply of premium fruits, we prioritize direct sourcing from local orchards. We have invested in deepening our penetration in places of origin for most of our core fruit products. As of May 31, 2022, we had a local team of nearly 400 employees who work closely with local orchards in Thailand and Vietnam. These employees share advanced plantation techniques with local growers, including flower induction, fruit thinning and picking. We are able to flexibly adjust our purchase orders' volume, price and periods, by monitoring the growth patterns of different fruit categories, the timing of procurement, and market conditions, thereby improving the predictability of relevant

orchard's supply and further promoting our collaboration. We have gained strong bargaining power in the local market and created higher entry barriers. In particular, our durian procurement in Thailand accounted for 10.1% of the total durian import volume from Thailand to China in 2021.

With processing plants at the places of origin of our core fruit products, we implement standardization from the point of harvest. As of May 31, 2022, we had 16 fruit processing plants near orchards in the places of origin in Thailand and Vietnam, through which we carry out grading, preservation, packaging and labelling right after harvest, converting raw fruits into branded products. Our processing plants are equipped with advanced machines for different fruit categories, which significantly improves operational efficiency compared to traditional labor-intensive methods. We have transformed our in-depth industry knowledge and first-hand expertise accumulated over the past years into a comprehensive set of standardized technical criteria and operation requirements. We have become one of the few companies in the fresh fruit industry that can meet the ISO9001 standard. We keep innovating fruit stacking, temperature control and preservation techniques and formulating various processing standards to address different conditions caused by seasons, temperature, humidity and maturity status. As such, we are able to ensure product quality through standardization at an early stage and optimize the shelf life of our fruit products.

We have established effective supply chain management. We reduced loss rates and accessed data across the entire supply chain by leveraging optimized digital-driven supply chain management with a lean structure. This enables us to prepare a logistics plan in a dynamic and flexible way to properly address customer needs with optimized logistics routes at a lower cost, accommodating to timing requirements, market conditions and logistics expense fluctuations. We have established a cold-chain temperature-controlled tracking system covering the entire distribution process from places of origin to places of sales for all fruits procured from Thailand and Vietnam. We could make an effective market forecast and assessment of the fruit shelf life, and further determine the appropriate time for receipt of goods, launching an appropriate marketing and sales plan. As a result, we effectively mitigate the impacts of market price fluctuations and product quality deterioration, increasing overall profitability while ensuring logistics quality with a low loss rate.

Nationwide Sales and Distribution Network that Stays Current with the Latest Retail Trends

We have built an extensive sales and distribution network with national coverage in China, which efficiently connects us with a broad range of customers. As of May 31, 2022, we had 19 branches across China serving sales to 300 cities, covering various sales channels, including terminal wholesalers, supermarkets, and emerging retail channel. Through sales channels that cover extensive points of sale, we serve a variety of consumer groups with diversified demands, which deepens our penetration and extends our coverage in a given region.

BUSINESS

We provide a quality, stable and diversified supply of fruits, and are able to offer customized services to enhance customer loyalty. Leveraging our long-standing local presence and standardized processing capabilities, we can deliver customized containers from places of origin directly to customers' warehouses upon request, and accommodate multi-dimensional requirements of volume, arrival time and quality of fruit products. Furthermore, through 60 sorting centers with intelligent machines located across China, we sort fruit products into small quantities and package them based on customer specifications, addressing the prevailing market demands for small-packet products arising from customers, particularly emerging retailers. As such, customers can benefit from our expertise in handling fruit products, which allows them to focus on their core business in serving end consumers. In addition, we provide our customers with a broad range of value-added services, including category planning, marketing and sales planning, and inventory management consultation.

We keep a close eye on the latest retail trends and take the initiative to explore new opportunities. According to CIC, the retail value of fruits through emerging retail channel in China increased from RMB191.0 billion in 2019 to RMB407.7 billion in 2021, representing a CAGR of 46.1% from 2019 to 2021. The growth rate of fruit retail value in the emerging retail channel in China is expected to further increase at a CAGR of 20.2% from 2021 to 2026. Leveraging our deep insight into market trends, we have been actively exploring opportunities in relation to emerging retailers in China, and have benefited from the rapid expansion of this emerging retail channel. During the Track Record Period, revenue from our sales to emerging retailers increased from RMB471.4 million in 2019 to RMB2,133.6 million in 2021, representing a CAGR of 112.7%, and increased by 14.5% from RMB1,035.0 million in the five months ended May 31, 2021 to RMB1,184.8 million in the five months ended May 31, 2022. According to CIC, we were a leading fruit distributor for emerging retailers in China in 2021.

Advanced Digital Operation Capabilities Covering the Entire Business

We have a proprietary digitalized supply chain management system HJ Star Bridge (洪九星橋). We utilize different modules to realize integrated management covering the entire business of procurement, transportation and distribution. We also utilize big data analytics to facilitate business decision making, reduce operational costs and improve our operational efficiency, all contributing to enhanced overall profitability.

We set up a container management module utilizing IoT technologies and big data analytics to exert better control over the supply chain in transit. We can also access and study a large amount of data in relation to the status of containers from multiple dimensions, thereby having better control over the port selection, fruit assessment and grading, container temperature, logistics routes, customs clearance processes and sales region selection. This allows us to monitor the entire supply chain visually in real-time, facilitating effective tracking of each batch of products. This module also allows us to study trends in purchase orders and the status of each key sector along the supply chain, as well as receive early warning of potential disruptions, allowing us to intervene quickly and effectively through agile management and adjustments to logistics arrangements, improving fulfillment efficiency.

Our procurement and distribution management module allows us to exercise digitalized management of purchase and sales. In managing procurement, we collect and study data on the procurement price, quantity, quality, production yield and export volume of fruits, and this module can assist us in making precise procurement decisions and gaining advantages in terms of procurement time and pricing. In managing distribution, we can assess the trend of sales prices of various fruit categories in different regions, as well as the supply and demand mechanism of relevant fruit products in a specific market, in order to match the best quotations for different channels and to receive more orders from customers.

Through our digitalized supply chain management system, we are capable of conducting visualized data analysis to facilitate decision making. We have developed a visualized approach to supply chain management, presenting data from orchards, places of sales and transportation through interactive interfaces, thereby allowing us to monitor the entire business value chain more intuitively, accurately and quickly.

We have established competitive advantages in terms of digital information in the industry. China's fresh fruit industry is highly fragmented with a supply chain characterized by redundant intermediaries and broken data flow, making it difficult to realize consolidation. However, by leveraging our supply chain management system and the end-to-end operating model, we accumulated and studied extensive data along the entire value chain. The analytical results of large amounts of data effectively facilitate us in making important decisions, such as selection of ports and sales regions, allowing us to upgrade the industry's traditional approach of relying solely on artificial decision-making. Our data accumulation and analytical capabilities have further paved the way for the development of a fruit industry internet platform.

Visionary Management Team and Cohesive Corporate Culture

Our founder and management team have rich experience in operations and management of the fruit industry. Our management has continuously led us to capture customer needs accurately with solid and visionary strategic plans, which enable us to achieve sustainable long-term growth. With 35 years of industry experience, our founder and chairman of the board, Mr. Deng, has accumulated first-hand operational experience with over 200 fruit varieties. He has been leading the development of the fruit industry by grasping industry trends and building up professional and profound insights about the fresh fruit industry. Mr. Deng has won many important awards and recognitions, including the *Top Ten News Figures in China's Economy* (中國經濟十大新聞人物) in 2012 and the *Top Ten Chongqing Businessmen in 2015* (2015年十大渝商). Our core management team has extensive experience, in-depth understanding and rich resources in the industry. From regional expansion through supply chain innovation to digital transformation and upgrading, our rapid growth reflects the unwavering commitment, strong execution and innovation capabilities of our founder and management team.

BUSINESS

We adhere to the *Five-star Corporate Culture* (五星文化) and place a premium on attracting and retaining talent, laying the ground for future sustainable development. We are committed to creating a family-like corporate culture, cherishing cohesiveness and people-oriented values. We attach great importance to talent retention and the improvement of our employees' professional skills. We have set up *Hongjiu Business Seminar* (洪九商學研習班) to improve the overall quality and capability of our employees through regular training. We focus on using various incentives to fully mobilize our employees, deepening our relationship with them through apprenticeship, and stimulating a vibrant corporate culture. We integrate our corporate momentum with the excellence of Chinese traditional culture, using its wisdom to guide employees to *unity of knowing and doing* (知行合一), and enhancing their awareness and worth through professional technology, all of which contribute to the fulfillment of our due social responsibilities. We believe that our unique corporate culture boosts and ensures our long-term sustainable development.

OUR STRATEGIES

Consolidate our Market Position and Further Expand into New Categories

We plan to cement our market position through continuously expanding our market share, and further strengthening our procurement capability at places of origin. We will continue to develop our market strengths in relation to core products, enhancing our market influence in the industry. Our continuous increase in the procurement volume of premium fruit products from their places of origin enables us to maintain competitiveness, distinguishing us from our competitors. We plan to strengthen our presence in places of origin by increasing the number of cooperative orchards, expanding local procurement teams, and deepening collaborations with local growers. Leveraging our large-scale procurement, we have secured a stable supply of high-quality fruits at places of origin.

We will continue to expand the product portfolio by replicating our successful track record. We will adhere to stringent product selection standards, continue to grasp opportunities brought up by consumption upgrades, launch more best-sellers, and strategically expand the portfolio of products and brands. For imported fruits, we will continue to explore for high-quality places of origin producing premium products with high growth rates and consumption potential in China. In the meantime, in response to the PRC government's strategy promoting rural vitalization, we will continue seeking for premium places of origin and fruit categories in China in order to enhance the competitiveness of our domestic fruit products.

Expand Sales and Distribution Network and Improve Customer Service Capabilities

We will continue to expand our existing nationwide sales and distribution network. We plan to set up additional branches across China, with a focus on the cities with a population of over five million, and to further develop our supply chain infrastructure. We are committed to further strengthening our business presence in regional markets in order to establish deeper penetration and broader coverage. We will continuously keep up with the rapid growth of the emerging retail channel to enhance our competitiveness.

We will continue to improve our customer service in order to increase customer loyalty and stimulate purchases. We plan to implement a rigorous, efficient and intelligent product sorting and packaging process through digitalization and advanced machines, thereby enhancing our ability to provide customized products. In addition, we intend to fully leverage our decades of operational experience in the fruit industry to provide customers with a suite of services, including fruit product scheduling, product matching, marketing planning and store display.

We also plan to implement a global sales strategy for high-quality fruits when appropriate. We plan to strategically promote our branded fruit products in the overseas market, thereby enhancing overall our brand awareness. We will study different fruit attributes and customer preferences across countries to form an effective sales strategy. We plan to progressively establish dual-circulation involving importation and exportation, serving as both discoverers and promoters of high-quality fruits on a global scale.

Increase Investment in Promoting Brand Awareness

We will seek to increase our brand awareness through optimized marketing and promotion strategies. Recognition among customers of our brands is the key to our long-term development. We plan to continuously increase our brand awareness through a variety of methods, establishing a strong association between *Hongjiu Fruit* (洪九果品) and high-quality fresh fruit. We plan to commit more resources to increase the presence and exposure of our brands in fruit retail terminals by establishing and optimizing brand zones and booths for our branded fruits. We will provide more products catering to prevailing consumers' needs, and innovate and upgrade the packaging design of our branded fruits. We further plan to increase investments in advertising, through new media marketing, content marketing and KOLs.

We will continue to enhance our brand power and provide consumers with lasting favorable impressions of the premium attributes of our quality fruit products. We believe that a good product speaks for itself, and focus on developing premium fruit products with competitive edges. We intend to continue to optimize upstream cultivation partnerships and increase the proportion of our procurements, and further penetrate existing places of origin. We also intend to seek more premium places of origin, taking into account the environment, plantation scale, and technology of local candidate orchards. We will continuously present consumers with high-quality, healthy, delicious and differentiated branded fruit products while controlling product quality by carrying out in-depth collaboration with local orchards since cultivation. We will also recruit and train local professionals, and refine our processing and operating capabilities.

Accelerate Digitalization and Improve Operating Efficiency

We will continue to upgrade and optimize our digital system. We plan to continue investing in technology research and development, recruiting technical talents, procuring hardware equipment and cloud service, and enhancing the intelligence of the digital system, so as to maintain our market position. We plan to comprehensively upgrade systems and refine embedded modules, in order to improve operational efficiency through enhancing our management and tracing capacity at each key stage along the supply chain, including planting, procurement, grading, packaging, delivery, transit, warehousing and distribution. We will continue to upgrade the core technical capabilities of our digital system and make intelligent predictions and decision-making suggestions through artificial intelligence algorithms. We will take advantage of big data analytics, machine learning and other technologies to continuously iterate and optimize the algorithm in order to improve the capability of accurately forecasting fruit output volume and quality from origins and customer demands, formulating more precise procurement plans and sales strategy in advance.

We will explore and develop new functions in conjunction with business development and customer needs. We will continue to improve our digital management covering the entire industry value chain, and develop functions serving the management of orchards, customs declarations, and container yards. Through development of software functions, improvement of technology infrastructure and upgrade of intelligent hardware, we continue to iterate on the “digital integration of processing, supply and sales” (產供銷數字一體化) intelligent management platform. We will strengthen the visual, intelligent and integrated management of the flow of goods, information, cash and personnel to improve our internal supply chain management, enabling us to agilely respond to changes in the external business environment.

Build a Global Fruit Industry Internet Platform to Promote Industry-Wise Development and Upgrade

We believe that we are obliged to improve the efficiency and value of the fruit industry. Leveraging our supply chain infrastructures and our profound experience in digitalized management, we plan to integrate resources from both upstream and downstream players and establish a global fruit industry internet platform, facilitating participants along the value chain to realize resource matching, information and technology sharing and standardization. As such, we lay a solid ground for the deep integration of the fruit industry and the internet, contributing to the digital transformation and upgrading of the fruit industry as well as agriculture modernization.

We are committed to building a “three-in-one” (三位一體) global fruit industry internet platform integrating digitalized orchards, digitalized supply chains, and big data analytics. Through a digitalized orchard platform, we can share our scientific and standardized planting techniques with growers. We plan to track and trace the planting process, as well as climate and soil conditions in places of origin through IoT technologies, all of which will be accessible by the public online, resulting in enhanced recognition of the quality of fruit products. We plan to share digital management capabilities with our partners through the

BUSINESS

digitalized supply chain, in order to promote collaboration with upstream and downstream enterprises in logistics distribution, warehousing, sorting and customs clearance, thereby increasing supply chain efficiency and establishing a widely-recognized fruit distribution standard. We intend to develop big data algorithms to undertake accurate analysis of market indices, output projections, and market preferences, while strengthening our data interaction and deep cooperation with participants along our value chain. We are committed to involving relevant participants on the platform in developing a modernized, standardized and digitalized fruit supply chain that promotes the upgrade and development of the industry.

OUR PATH TO ACHIEVE SUSTAINABLE DEVELOPMENT

We have established a successful track record in achieving rapid growth while weathering a broad range of challenges in, or even negative development of overall fresh fruit distribution market in China in recent years. Apart from our efforts to enhance market recognition of our capability for securing a stable and cost-efficient fruit supply, we attribute our success to capitalizing on each wave of industry transition led by the increased disposable income and awareness of city residents in China for a healthy lifestyle. In particular, we benefited from following industry trends: (i) imported fruits, particularly those from Southeast Asia, which accounted for the majority of imported fruit sales in China, owing to their advantages in terms of taste, market season, and geographic proximity to China; (ii) branded fruits that engender consumer trust; and (iii) fruit sales through emerging retail channels that successfully accommodated growing public preferences for online shopping. For details, please see “Industry Overview — Overview of China’s Fresh Fruit Distribution Market” and “Industry Overview — Overview of China’s Branded Fresh Fruit Distribution Market”.

Going forward, we expect these trends, notably the growth of the aforementioned market sectors, will continue to affect participants along the fresh fruit distribution value chain. Because consumers in China are expected to maintain their preference for and willingness to pay a premium for trustworthy and quality fresh fruits, while the integration of fruit distributors operating within or across industry segments is expected to continue. These in turn would push up demand for a stable and cost-efficient supply of quality fruit. In addition, these factors will create opportunities for successful fruit distributors with an end-to-end supply chain, particularly those like us with reliable sources of fruits and an extensive distribution network, possessing advantages to effectively consolidate resources, overcome obstacles, and achieve sustainable development and growth. On the other hand, those that fail to capture competitive edges that differentiate themselves from other competitors may fade away. Please also see “Risk Factors — Risks Relating to Our Business and Industry — Failure to Compete Effectively May Adversely Affect Our Market Share and Profitability.”

In order to effectively capture opportunities therein, we intend to keep focusing on (i) enhancing our capability to procure quality fruits, particularly those from places of origin, which are critical to our fruit brands’ success. While we continue to invest in brand awareness promotion and the development of new brands, we intend to expand cooperation with additional partnered orchards, recruit more local talents and expand overseas local teams, in order to ensure a consistent and quality supply and to secure additional quality fruits in

BUSINESS

advance. In addition, we plan to lease or build more fruit processing plants with advanced processing equipment in order to meet anticipated growth in the supply of fruits; (ii) expanding and improving our cooperation relationship with leading players operating emerging retail channel, by gradually setting up new sales branches and sorting centers across China with a focus on cities with a population of over five million, as well as recruiting more employees taking charge of customer development. In this way, we expect to enhance our service capability to these customers, who usually rely on suppliers with extensive network across China that can cover various quality fruits, to effectively compete and grow in their specific sectors; and (iii) strengthening our management capacity on logistics and warehousing, to ensure time-efficient and cost-effective logistics of fruits, particularly by investing in expanding sorting centers network with advanced equipment, implementation of more IoT and other advanced technologies, as well as introduce more intelligent machines and equipment with respect of automatic warehousing management, automatic inventory management. Please also see section headed “Future Plans and Use of Proceeds”.

We are of the view that, by leveraging widespread recognition of our brands and fruit products among customers, our strong technology and execution capabilities in bringing quality fruits from their origins to customers throughout China via an extensive distribution network, and our accumulated industry experience in selecting and developing fruit products, we are well-positioned to capitalize on business opportunities created by the aforementioned industry trends by implementing above-mentioned measures, as proved by our successful track record. Please also see the section headed “— Our Historical Path of Achieving Rapid Growth” below.

OUR FRUIT PRODUCTS AND BRANDS

As of May 31, 2022, our fruit product portfolio covered 49 categories sourced from over 100 places of origin, realizing a year-round high-quality fruit supply to our customers. The table below sets forth the revenue contribution of our fruit products by category, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Core fruit products										
Durian	473,273	22.8	2,107,155	36.5	3,481,639	33.9	1,572,921	34.4	1,551,029	27.1
Dragon fruit	321,897	15.5	471,294	8.2	845,676	8.2	481,524	10.5	302,171	5.3
Cherry	200,797	9.7	225,795	3.9	324,776	3.1	267,855	5.8	358,495	6.3
Grapes	161,273	7.8	395,262	6.8	500,226	4.9	222,863	4.9	164,365	2.9
Longan	223,293	10.7	338,513	5.9	572,703	5.6	232,948	5.1	244,972	4.3
Mangosteen	175,466	8.4	403,803	7.0	185,470	1.8	36,434	0.8	52,216	0.8
Subtotal	1,555,999	74.9	3,941,822	68.3	5,910,490	57.5	2,814,545	61.5	2,673,248	46.7

BUSINESS

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Other fruit products										
Tangerine	151,333	7.3	459,675	8.0	1,616,065	15.7	731,721	16.0	1,489,616	26.0
Apple	67,282	3.2	349,762	6.0	679,466	6.6	373,515	8.2	388,346	6.8
Mango	50,970	2.4	169,645	2.9	221,489	2.2	96,403	2.1	40,482	0.7
Kiwi	36,847	1.8	107,922	1.9	215,218	2.1	62,498	1.4	146,413	2.6
Others ⁽¹⁾	215,266	10.4	742,565	12.9	1,637,346	15.9	496,969	10.8	987,009	17.2
Subtotal	521,698	25.1	1,829,569	31.7	4,369,584	42.5	1,761,106	38.5	3,051,866	53.3
Total	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0

Note:

(1) Others primarily include pear, prunus, banana and pomegranate.

We consider durian, mangosteen, longan, dragon fruit, cherry and grapes to be our six core fruit products and we carry all of them under self-owned brands. We develop these core products from categories that are highly recognized in China with a large market size and rapid growth rate. According to CIC, these six fruit categories accounted for 64.6% of China's total imported fruits by retail value in 2021, making them the major imported fruit categories. Additionally, these fruits have differentiated tastes, premium attributes and high nutritional levels, laying a foundation for our branding strategy. As such, our core fruit products are well-received among customers, accounting for 74.9%, 68.3%, 57.5% and 46.7% of our total revenue in 2019, 2020 and 2021 and the five months ended May 31, 2022.

Our Brands

Traditionally, fruit is generally sold unbranded across different categories, resulting in homogenous competition and low profitability in China, according to CIC. The nature of fresh fruit's short shelf life and long value chain involving multiple layers of intermediaries lead to a low standardization level, and in turn, hinders product branding.

In line with the increase in per capita disposable income in China and growing public awareness of health, we have observed increasing market demand and customers' willingness to pay a premium for high-quality fruits from trusted provenance. To capture this market opportunity, we have developed a portfolio of fruit brands across categories, leveraging our deep penetration into places of origin, extensive sales and distribution network, as well as efficient end-to-end supply chain.

BUSINESS

In developing our fruit brands, we embrace a consumer-centric approach with a pivot on fruits that have already established recognition among consumers with a large consumption scale, together with premium and distinctive attributes that help create differentiation. Through securing a consistent supply of quality fruits from premium origins, and data-driven supply chain management covering the value chain, we have successfully established a strong market recognition of our brands and continually increased our market share.

In addition, as a result of our established brand reputation and our customers' recognition of the quality of our fruit products, as well as our excellent service and strong supply chain management capabilities, there is a rising appetite for purchasing unbranded fruit products from us, which led us to sell unbranded fruit products during the Track Record Period. In operating this business line, customers benefit from our cost-efficient supply chain management and quality fruits with competitive prices, while we are able to enhance customer loyalty and market penetration. This business line also broadens our access to first-hand insights on trends and consumer preferences in different markets. All these factors contributed to our continued optimization of our branding strategy, which is evidenced by our successful track record.

The table below sets forth a breakdown of revenue contributions from our branded and unbranded fruit products, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Branded Fruit Products	1,577,686	75.9	4,396,964	76.2	7,532,499	73.3	3,263,187	71.3	4,150,253	72.5
Unbranded Fruit Products	500,011	24.1	1,374,427	23.8	2,747,575	26.7	1,312,464	28.7	1,574,861	27.5
Total	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0

Our Branded Fruit Products

During the Track Record Period, we continuously expanded the portfolio of our branded fruit products. As of May 31, 2022, we had a portfolio of 18 fruit brands across 14 categories. Catering to market trends and customer preferences, we roll out different brands across categories, each representing unique and premium attributes, in order to better differentiate distinctive qualities and increase profitability. The strategic combination of brands demonstrates our strong capability in brand and product development, resulting in enhanced capability in attracting and retaining customers, while effectively mitigating the impacts of market volatility and homogeneous competition.

BUSINESS

The table below sets forth details of our selected branded fruit products as of May 31, 2022.

Fruits	Product	Descriptions
Durian		<ul style="list-style-type: none"> • Brands: <i>Hongjiu Taihaochi</i> (洪九泰好吃), and <i>Meng Xiang</i> (猛象)* • Places of origin: east Thailand (Chanthaburi) and south Thailand (Chumphon) • With a golden look, an alluring scent, a sweet flavor, and a high nutrition level, our durian provides both aesthetic and gustatory enjoyment.
Red Dragon Fruit		<ul style="list-style-type: none"> • Brands: <i>Yuelaimei</i> (越來美) and <i>Xiaolaba</i> (小喇叭)* • Places of origin: Long An Province, Vietnam • Our red dragon fruit is distinctive with its round and plump shape, thin peel, brilliant magenta flesh with a mild sweetness, as well as crisp texture with a delicious flavor.
White Dragon Fruit		<ul style="list-style-type: none"> • Brands: <i>Yuelaimei</i> (越來美) and <i>Lingmao</i> (靈貓)* • Places of origin: Binh Thuan Province, Vietnam • Our white dragon fruit is distinguished by its vivid red exterior, luscious and seed-flecked pulp. Rich in anthocyanin and dietary fiber, our white dragon fruit is a healthy dietary option for consumers.
Longan		<ul style="list-style-type: none"> • Brands: <i>Hongjiu Taihaochi</i> (洪九泰好吃), and <i>Tai Zhu</i> (泰珠)* • Places of origin: east Thailand (Chanthaburi) and north Thailand (Chiang Mai) • Plump in shape, our longan is known for its thin golden shell and delicious sweetness of up to 20 Brix.
Mangosteen		<ul style="list-style-type: none"> • Brands: <i>Hongjiu Taihaochi</i> (洪九泰好吃), and <i>Tai Bai</i> (泰白)* • Places of origin: east Thailand (Chanthaburi) and south Thailand (Chumphon) • Our mangosteen stands out for its creamy white flesh and alluring scent.
Cherry		<ul style="list-style-type: none"> • Brands: <i>Hongjiu</i> (洪九) • Places of origin: Chile • The beautiful carnelian hue, fresh green stalk, sweet flavor with a fruity aroma, as well as crisp and juicy flesh, and abundant nutrition characterize our cherry.
Red Grapes		<ul style="list-style-type: none"> • Brands: <i>Hongjiu</i> (洪九) • Places of origin: Chile • Our grapes have a firm texture, are resistant to tension and dehiscence, and have translucent crisp flesh with a burst of sweet flavor in every bite.

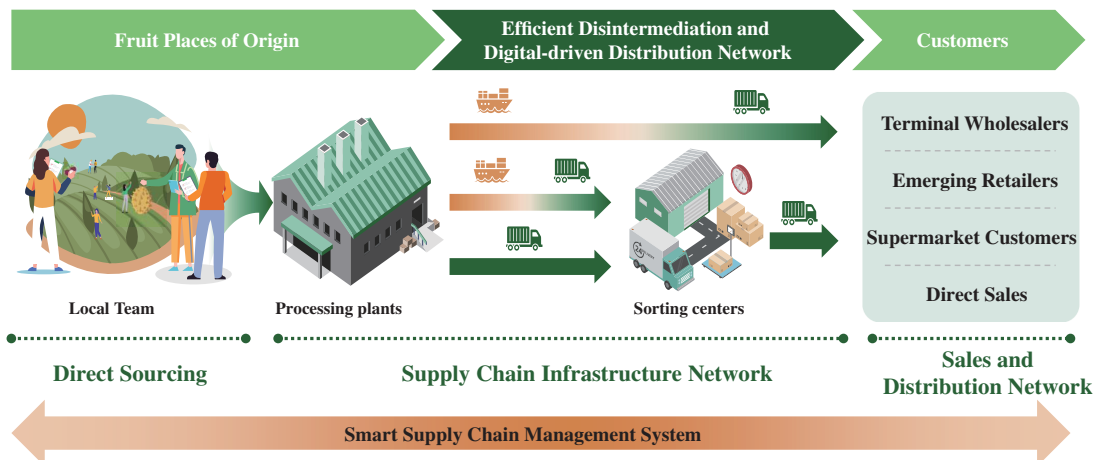
BUSINESS

Fruits	Product	Descriptions
Mango		<ul style="list-style-type: none"> Brands: <i>Hai Mang Jun</i> (海芒君) Places of origin: Hainan Province, China Hainan is an ideal place for mangoes due to its tropical marine and monsoon climates. Among the mangoes grown in Hainan, we choose mangoes with fiberless and juicy flesh, combined with a sweet and refreshing flavor.
Guizhou Kiwi		<ul style="list-style-type: none"> Brands: <i>Mi Tian Da Sheng</i> (猕天大圣) Places of origin: Xifeng County, Guizhou Province, China Our Guichang kiwi has rich folic acid, a fuzzy brown exterior, an oval shape, as well as juicy and crystal-green flesh with a pleasant acidity that balances the fruit's sweetness.
Yellow Peach		<ul style="list-style-type: none"> Brands: <i>Fengshanghao</i> (奉上好) Places of origin: Fengjie County, Chongqing, China Harvested from trees in the Three Gorges' alpine region, our yellow peaches have a golden hue, a distinctive scent, and a juicy pulp. They attain up to a Brix value of 17-18 and have a soft yet crunchy texture.
Lychee		<ul style="list-style-type: none"> Brands: <i>Hai Mei li</i> (海美荔) Places of origin: Hainan Province, China Our lychees have a remarkable balance of sweetness and sour flavors, as well as abundant nourishment.

Note: Brands marked with * are our high-end brands for fruits of higher quality based on our grading system as detailed in “Quality Control” below in this section.

OUR SUPPLY CHAIN MANAGEMENT

Leveraging our end-to-end fresh fruit supply chain, we deliver fruit products of high quality from China, Thailand and Vietnam to customers in a cost-efficient and transparent fashion. We have successfully reshaped the industry by chipping away traditional redundancies and low efficiency caused by multi-layer intermediaries along the value chain. The following picture illustrates our supply chain management.



BUSINESS

We focus on procuring fruits from places of origin that enjoy premium conditions to ensure quality from the outset, where durian, mangosteen, longan and dragon fruit have been directly procured from such regions during the Track Record Period. We have strategically built fruit processing plants equipped with advanced optical grading technology that analyzes and grades each batch of fruit and enables us to select fruit for our customers based on specifications.

Our *HJ Star Bridge* (洪九星橋) system further facilitates digitalized control and integration of the supply chain and enables us to monitor the entire supply chain visually on a real-time basis, facilitating effective tracking of each batch of fruits in transit. Through this system, we work closely with parties along the value chain, including growers, suppliers and logistics service providers, to ensure that each key step is accomplished in line with the overall supply chain arrangement: from harvest, processing, cross-border transportation and customs declaration, to further logistics arrangements to customer-designated destinations.

By removing redundant intermediaries and impediments to data-sharing between parties along the value chain, we have seamlessly connected upstream procurement with downstream distribution, enabling data-driven decision-making while continuously improving our competitiveness. Our competitive edge and achievements along the supply chain resulted in a virtuous cycle where we benefit from continued growth in market share and profitability. Furthermore, leveraging our strong brand influence and supply chain management capability, we are well positioned to replicate our success in developing more fruit brands, as proven by our successful track record.

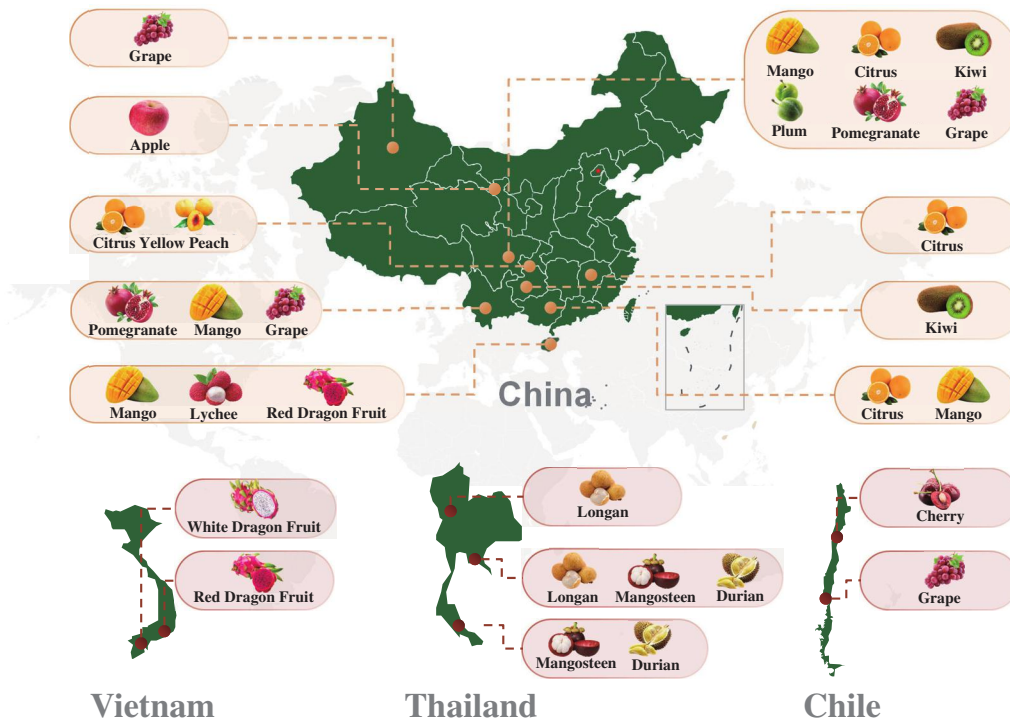
Direct Sourcing

Direct sourcing from places of origin is an important initiative we have taken to maintain a quality and stable supply, as well as cost advantage of our products. We typically source fruit located in regions that enjoy optimal geographic, climatic and biological conditions, particularly for our branded fruits. Fruit grown in such regions is rare in nature and difficult to replicate, providing consumers with premium quality and taste. We began our exploration of the local markets in the places of origin early since 2011 and been continually developing local teams in Thailand and Vietnam. Our local teams consist of dedicated employees from Thailand, Vietnam and China. Through orchard visits, referrals by existing suppliers and local organizations, they interacted with the local orchards and growers and pursued collaboration actively, paving the way for our direct sourcing initiatives. Through years of effort, we have successfully established long-term relationships with a broad range of orchards and suppliers in such regions. We believe that such long-term relationships secure us a stable supply of quality fruits and enhance our competitiveness.

Upholding the principle of “*one and only place*” (找遍全球,唯有此地), we carefully source our branded fruits from places with favorable geographical and environmental conditions to produce fruits with premium and distinctive attributes, taking into account latitudes and longitudes, climate patterns, cultivation scale, as well as relevant techniques which ensure the differentiation of our products. For instance, we developed our *Hongjiu*

BUSINESS

Taihaochi (洪九泰好吃) series of longan products by procuring longan from trees over 15 years old. These trees are typically located in east Thailand, where the unique weather and local environmental conditions, including daily temperature variation, sunlight and soil composition, enable local growers to produce longan with distinctive attributes. The following map illustrates a part of the network of places of origin where we procure our fruits.



In addition, we selectively form in-depth collaborations with local growers to ensure their products meet our stringent procurement standards and to integrate them into our supply chain. We empower these growers with advanced farming techniques, and advise them on flower induction as well as fruit thinning. Furthermore, based on our sales forecast and marketing plans, we guide them to pick fruits at the best time and implement proper post-harvest management, laying a solid ground for further supply chain management.

As of May 31, 2022, we had an experienced and dedicated team of nearly 400 employees in Thailand and Vietnam. They are responsible for visiting orchards to guide, monitor and liaise with growers and suppliers on a regular basis. These employees are also engaged to execute our procurement plan as detailed in “— Our Customers and Suppliers — Procurement Arrangements and Policies.” We conduct thorough and vigorous quality checks on procured fruits to ensure strict adherence to quality standards as detailed in “— Quality Control — Procurement Quality Control.” This local team, along with our long-term and in-depth relationships with local orchards and suppliers, allows us to effectively reduce intermediaries to the extent feasible from the outset of the supply chain, further resulting in a strong competitive edge in terms of price and quality.

In addition, as a supplement to our inventory and as an alternative to mitigate risks associated with turbulence in the supply and pricing of fruit products, we procured fruit products from reputable third-party fruit suppliers during the Track Record Period.

Our Supply Chain Infrastructure Network

Fruit processing plants

Our fruit processing plants are located near partner orchards in the places of origin, which allow us to carry out grading, preservation, packaging and labelling right after picking at orchards. As such, fruit coming in with different conditions can be processed into standardized products at their origins, and packed into ready-to-ship products, thereby improving the overall logistics convenience.

In determining locations for our fruit processing plants, we take into account the number of orchards in the surrounding areas and transportation convenience. As of May 31, 2022, we had 16 fruit processing plants, all of which were located in the places of origin of our core products, namely Vietnam and Thailand. In the five months ended May 31, 2022, our fruit processing plants had an aggregate daily processing capacity of approximately 1,828 tons, and an average daily utilization rate of 70%. When establishing fruit processing plants, we typically take into account anticipated future orders and thereby establish additional fruit processing plants in advance to reserve capacity for future orders.



Longan processing plant in Thailand



Mangosteen processing assembly line in Thailand



Dragon fruit processing plant in Vietnam



Durian processing site in Thailand

BUSINESS

Our fruit processing plants have a strategic value to us, as they seamlessly connect our supply chain with local growers, ensure the taste and freshness of our fruits, and support our high-efficiency and low-loss supply chain. Simultaneously, we can process fruits into standardized products, establishing the groundwork for branding. In addition to collaboration with local orchards in relation to field work, we also carry out stringent quality control and advanced fruit processing procedures at our plants, to effectively prevent post-harvest loss. In particular, upon fruit arrival at our plants, we carry out comprehensive post-harvest processing procedures after preliminary inspections to screen out damaged or unqualified fruits.

Based on the attributes of different fruits, we implement different post-harvest processing procedures at our plants, including preservation, packaging, pre-cooling, and ripening. We use specialized machines and customized assembly lines to process fruit based on their attributes and categories. For example, our advanced optical grading technology is capable of grading and measuring the internal and external quality of fruit automatically, including detecting internal rot and early stage sprouting, as well as most common defects including external rot, black mold and mechanical damage. We also install cameras on the assembly line, where fruit is rotated under the camera and multiple images are taken to inspect and grade fruit from various angles. As a result, we enjoy a significant reduction in manual labor while providing a higher quality product on a consistent basis.

We have accumulated significant experience and knowledge of the ripening process and techniques. For instance, we are able to manage the artificial ripening process for different fruits to attain the desired ripeness based on the corresponding time required for transit and warehousing, ensuring such products reach the optimal ripeness level upon delivery. In addition, we constantly adjust our processing procedures at the plants to accommodate varying temperature, humidity, stacking, seasonal and weather conditions, as well as the expected shipping period and customer delivery time. All of these processes are intended to extend the shelf life of fruits and to minimize spoiling during transportation, ensuring our fruits are in the best condition when they reach customers. Please also see “— Quality Control.”

During the Track Record Period, we have also established in-depth collaboration with suppliers who have their own processing facilities at places of origin, where we provided technical support and management guidance to ensure fruit products processed at their plants could meet our standards of quality, grading and amount. This approach allows us to accelerate upscaling of processing capacity without incurring significant expenses, while attracting and retaining quality suppliers with strategic value for our business, and further enhancing our edges over competitors. During the Track Record Period, we collaborated with 122, 179, 397 and 411 domestic suppliers with self-owned processing facilities. In 2019, 2020 and 2021 and the five months ended May 31, 2022, 13.0%, 22.9%, 35.4% and 41.8% of the total volume of fruits we procured were from these suppliers.

Sorting centers

To meet the growing demands of fruit retailers for small-packet products, we established sorting centers to separate a load of fruits into different scales and pack them into small-packet products of different specifications that are ready-to-sell upon request. As of May 31, 2022, we had 60 sorting centers across China, with an aggregate floor area of 127,469 square meters. Our sorting centers have an aggregate daily sorting capacity of approximately 1,561 tons, and an average daily utilization rate of 65%. When establishing sorting centers, we typically take into account anticipated future orders and thereby establish additional sorting centers in advance to reserve capacity for future orders. Our sorting centers are furnished with insulation material and air coolers to realize temperature control, enabling us to adjust the temperature of the sorting centers, in order to maintain an optimal temperature for preserving and processing different fruit categories. We also utilize intelligent sorting machines to minimize human intervention, improve efficiency and achieve cost optimization. Empowered by these intelligent machines, each of the fruit is weighed and sorted automatically, ensuring that each batch of packed fruit product adheres to a consistent weighing standard. After weighing and sorting, fruits are seamlessly transited to be packed and sealed based on customer specifications. The packed fruits can be weighed again at the end of the processing line to precisely load the packages with the right amounts and weights of fruit. The packed fruits are then ready to be labelled and delivered from our sorting centers to customer-designated warehouses. In addition, data in relation to processing time and capacity is generated for each sorting and processing procedure. Through analyzing this data, we have improved control of overall sorting and processing procedures. Compared with traditional labor-intensive processing procedures, we could achieve greater sorting capacity with fewer personnel.

Our fruit products are typically ready-to-sell upon arrival, which greatly saves customers' time and effort. As such, customers can benefit from our expertise in handling fruit products without incurring significant capital expense in performing such operations themselves, allowing them to focus on their core business in serving end consumers. The following pictures exhibit our sorting center in Guangdong Province.



Our Smart Supply Chain System

Our Logistics

During the Track Record Period, we engaged independent third-party logistics service providers to carry out transportation of fruit products. We believe such an arrangement allows us to leverage the expertise and quality services of relevant parties without incurring significant capital investment. See “— Our Customers and Suppliers — Logistics arrangements” below. In the meantime, our advanced digital supply chain management system, *HJ Star Bridge* (洪九星橋) system, allows us to seamlessly integrate our logistics service providers into our management, realizing efficient logistics arrangements and supervision visually on a real-time basis.

In particular, utilizing our *HJ Star Bridge* (洪九星橋) system, we determine and adjust logistics routes for fruits procured from Thailand and Vietnam in a dynamic and fluid manner, ensuring prompt, safe and efficient delivery, by taking into account various factors, including source of goods, designated destinations, timing arrangements, sales and marketing plans and other specifications set out in purchase orders when required.

We work closely with relevant agents and cross-border logistics service providers to set out schedules for container fulfillment, seaborne and land transportation, and customs clearance for imported fruit products. This ensures swift completion of administrative procedures at customs, matching key dates of each transportation session without undue delay or prolonged waiting periods.

We further arrange delivery of fruit products procured to (i) customer-designated destinations, generally their warehouses; (ii) our sorting centers for further processing; and (iii) other facilities managed by us to serve expected market demands.

Our HJ Star Bridge* (洪九星橋) *system

We adopt advanced technologies to facilitate efficient supervision, transition and analysis on large amounts of data, visually and textually on a real-time basis. This allows us to access status on fruit products during the transportation, our offline logistics infrastructure, prevailing marketing and sales conditions and specific demands of cooperating third parties, as well as facilitating communication and information sharing among parties along the supply chain. In addition, personnel in charge of different tasks throughout the supply chain access this platform through APPs on their handsets, allowing efficient communication and information sharing. Leveraging data we collected through years of efforts and our big data analytic capabilities, we have successfully achieved data-driven business decision mechanism, laying a solid foundation for further development of a one-stop industrial online platform for the fresh fruit industry. The following screenshot illustrates our visualized supply chain system.



We continually invest in the development and implementation of advanced technologies in each core aspect of our supply chain. Capitalizing on our proprietary *HJ Star Bridge* (洪九星橋) system — an integrated digitalized management system covering the entire supply chain and comprising multiple modules taking charge of the key sector of procurement, transportation and sales — we have successfully addressed the inherent challenges of the fruit supply chain in our industry. During the Track Record Period, as the digitalization of China’s fresh fruit distribution market remained the early stage and a large number of market players have yet to achieve digitalization, we have established an end-to-end supply chain empowered by our infrastructure network and proprietary *HJ Star Bridge* (洪九星橋) system, which has effectively reduced intermediaries, increased the level of our digitalization and benefited participants along the value chain.

We collate and harness extensive amounts of data in relation to upstream orchards, logistical routes and downstream sales from our years of operations, which gives us profound insights into the entire fruit value chain. We further utilize the vast data volume to optimize and upgrade our systems and establish entry barriers against our competitors in the fruit industry.

Specifically, our *HJ Star Bridge* (洪九星橋) system helps us in the following aspects:

- Procurement Management.** Through this system, we integrate orchards into our supply chain management, where we collect and study extensive data through long-term and in-depth cooperation with orchards. Through NC system, a part of our *HJ Star Bridge* (洪九星橋) system, we seamlessly access domestic suppliers’ information, thereby covering all suppliers in China, Thailand and Vietnam. As such, we incorporate data from external partners in key aspects of the supply chain into our system. Additionally, we collect data on pricing, quantity, quality and transportation of various fruits from origins to their destinations. All of this data assists us in developing a more precise procurement plan, bringing us more favorable terms on purchase timing and price. With such insights, we can also provide orchards with sales forecasts, facilitating them to make production plans accordingly. This allows us to continually strengthen our cooperation with orchards, where orchards benefit from more predicable income while we enjoy a secure and stable supply.

- In-transit Container Management.** This system provides us with a comprehensive view of each key stage of the transportation process of our containers for fruits procured from Thailand and Vietnam through real-time vehicle and product tracking. We require our employees and delivery partners to fill in information during transportation on the APPs. Combined with IoT technologies, such as data loggers and IoT sensors, we collect a wealth of data along the supply chain in real time, including route deviation, container quantity, fruit quality change, container temperatures, logistics trajectories and customs clearance processes. All data and information are then uploaded and displayed on our *HJ star bridge* (洪九星橋) system, enabling us to improve operational efficiency by having real-time supply chain visibility. Built on our data analytic capabilities, this management system further facilitates our decision-making in relation to port selection, fruit assessment and grading, logistics route planning, shipping arrangements, customs clearance processes, and sales region selection. For instance, we could determine the optimal customs clearance port for each container through analyzing the processing time, expense and location of each customs clearance authority. This management system further allows us to identify and respond to any abnormalities that occur during transit through timely human intervention, thereby lowering the loss rate and improving overall supply chain management efficiency. We had an industry-leading loss rate of 1.3% in 2021, while the average loss rate of the industry ranged from approximately 1% to 5%. The following screenshots illustrate our visualized supply chain system, where our management can easily access real-time information about our in-transit containers.

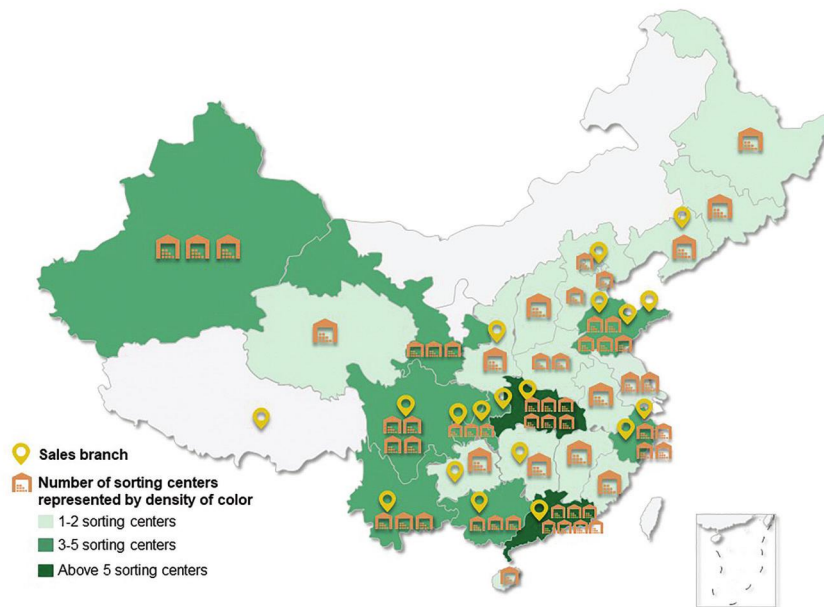


BUSINESS

- **Sales Management.** Data collected from various distribution channels will be further analyzed to assist us in developing sale strategies and managing and tracking customers through a digital system. By analyzing sale prices as well as the supply and demand of fruit in different regions, we adjust the pricing strategy suitable for different sales channels, enhancing our capability to obtain more purchase orders with enhanced profitability. In addition, through analyzing regional customer preferences, inventory levels, and market trends in each sales region, we can compare horizontally and form an optimal dispatching plan for each container of our fruit products in different sales regions. Simultaneously, we analyze our sales to identify appropriate fruit for branding and place pre-orders at orchards in due course.

OUR SALES AND DISTRIBUTION NETWORK

We have established an extensive sales and distribution network nationwide to reach customers of different demographics. As of May 31, 2022, we had 19 sales branches and 60 sorting centers across China. Such sales branches function as frontline sales grids covering 300 cities. We strategically locate our sales branches in local wholesale fruit markets to maximize their service radius. The following map illustrates the network of our sales branches and sorting centers.



During the Track Record Period, our nationwide sales and distribution network comprised the following:

- **Terminal Wholesalers:** we primarily sold fruit products to wholesalers with strong distribution capacities within their respective local regions, as well as access to end customers.

BUSINESS

- **Emerging Retailers:** we sold fruit products to emerging retailers, represented by community group buying, community-based fresh-food chain stores and on-demand e-commerce.
- **Supermarket Customers:** we sold fruit products directly to supermarkets with extensive national and/or local coverage.
- **Direct Sales:** we also sold fruit products directly to customers through points of sale, which is a natural extension of the other channels that complement our sales and distribution network.

The table below sets forth revenue contribution by different distribution channels, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Terminal										
Wholesalers	1,062,530	51.1	3,040,493	52.7	5,479,191	53.3	2,338,885	51.1	3,268,135	57.1
Emerging										
Retailers	471,395	22.7	1,005,262	17.4	2,133,588	20.7	1,034,980	22.6	1,184,760	20.7
Supermarket										
Customers	399,286	19.2	1,072,737	18.6	1,455,368	14.2	637,897	13.9	661,488	11.5
Direct Sales	144,486	7.0	652,899	11.3	1,211,927	11.8	563,889	12.4	610,731	10.7
Total	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0

The table below sets forth the average amount of sales by different distribution channels for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Terminal Wholesalers	2,592	4,350	5,092	2,765	2,737
Emerging Retailers	9,428	10,053	19,222	9,857	9,478
Supermarket Customers	5,872	9,410	11,737	5,645	5,050
Direct Sales ⁽¹⁾	1,953	4,566	6,516	3,710	3,085

Note:

- (1) This refers to the average amount of sales per point of sale, which is calculated by the total revenue generated from direct sales during the Track Record Period divided by the number of points of sale as of December 31, 2019, 2020 and 2021, May 31, 2021 and May 31, 2022, respectively.

BUSINESS

During the Track Record Period, we distributed fruit products primarily through distributors, who were our ultimate customers. We transfer the title of our products to customers upon their acceptance and maintain no control over their onward sales. Most of our customers sell directly to consumers through their own sales network. We believe our supermarket customers and emerging retailers generally sell fruits to end consumers, while terminal wholesalers may sell to other distributors and retailers, including local groceries and mom-and-pop stores, in line with their own marketing plans. We did not enter into contracts with such distributors and had no control over their sales activities or operations during the Track Record Period. In general, our customers are responsible for managing their own distributors. We select and regularly evaluate our customers based on a number of factors, including their reputation, credibility, breadth and quality of sales network. To the best knowledge of our Directors, during the Track Record Period, except for one of our five largest customers, all of our customers were Independent Third Parties and there was no relationship, including employment, financing, family or otherwise, between these partners (including their directors, shareholders and senior management, and their respective associates) and us. See “— Our Customers and Suppliers — Customers” below for details.

Terminal Wholesalers

China’s fruit market is highly fragmented and geographically scattered. Wholesalers, with extensive national presence, are the primary conduit for fruit distribution in China, according to CIC. In line with market practice in our industry, we sell fruit products through terminal wholesalers who are experienced in fruit distribution. Our terminal wholesalers generally have sizeable local operations and strong direct sales resources within their respective local regions. These terminal wholesalers could distribute our products to local consumers and smaller-scale retail points of sale, allowing us to increase our market share in a relatively short timeframe, particularly when entering a new market.

We carefully review our business relationships with terminal wholesalers through a stringent selection process and annual assessment. We consider various factors in selecting terminal wholesalers, including the size of their operations, sales network, reputation, creditworthiness, financial resources and expertise within the fruit distribution industry. In particular, we value their resources in direct sales and influence over customers within local regions. We believe that such terminal wholesalers have more familiarity with the markets, which allows us to reach a broader local customer pool in a cost-effective manner. We strictly forbid existing employees to work for or have equity in our terminal wholesalers. To the best knowledge of our Directors, all our terminal wholesalers were Independent Third Parties, and none of our terminal wholesalers had any past or present business, employment, family, trust, financing, funds or similar relationships with our Directors, subsidiaries, shareholders, senior management, or any of their respective associates during the Track Record Period. During the Track Record Period, we did not provide financing to any of our distributors except for the credit terms we granted to them.

BUSINESS

As of December 31, 2019, 2020 and 2021 and May 31, 2022, we sold fruits to 410, 699, 1,076 and 1,194 terminal wholesalers. In 2019, 2020 and 2021 and the five months ended May 31, 2022, our revenue generated from sales to our terminal wholesalers amounted to RMB1,062.5 million, RMB3,040.5 million, RMB5,479.2 million and RMB3,268.1 million, accounting for 51.1%, 52.7%, 53.3% and 57.1% of our total revenue, respectively. The continuous increase in the number of terminal wholesalers was primarily due to the expansion of our sales and distribution network into new markets and the acquisition of additional new customers in these new markets. Through our continuous efforts, we managed to establish a business presence in 186 cities in 2019 and increased geographic coverage to 300 cities in the five months ended May 31, 2022. Meanwhile, we deepened our penetration in the existing markets. As business operations scale, our capacity for procuring and supplying fruit in quality and quantity, as well as credibility and reputation, has been widely recognized in the fruit industry through word-of-mouth referrals, resulting in additional new terminal wholesalers.

In addition, the average amount of sales to terminal wholesalers increased by 67.8% from RMB2.6 million in 2019 to RMB4.3 million in 2020, and further increased by 17.1% to RMB5.1 million in 2021. This increase in the average amount of sales was primarily due to our successful selection of core fruit products that were among the fastest-growing fruit categories in China during the Track Record Period, according to CIC. Our core fruit products were well-received by consumers in China, accounting for 64.6% of China's total imported fruits by retail value in 2021. In particular, the retail value of durian, our best-selling product, increased from RMB21.0 billion in 2019 to RMB52.4 billion in 2021, representing a CAGR of 57.7%, which greatly exceeded the growth rate of other fruit categories, and has become China's largest imported fruit category with a retail value of RMB52.4 billion in China in 2021, accounting for approximately 31.7% of the total imported fresh fruit market by retail value. As a result, through bringing such quality fruits into the market, we were well-positioned to effectively capitalize on the robust growth of public demands. The average amount of sales to terminal wholesalers decreased slightly by 1.0% from RMB2.8 million in the five months ended May 31, 2021 to RMB2.7 million in the five months ended May 31, 2022 primarily because of the decrease in the average amount of sales of core fruit products to customers. The average amount of sales of core fruit products to terminal wholesalers increased from RMB1.9 million in 2019 to RMB2.8 million in 2020 and further remained stable at RMB2.8 million in 2021, and decreased by 28.6% from RMB1.6 million in the five months ended May 31, 2021 to RMB1.2 million in the five months ended May 31, 2022. The decrease was primarily attributable to the fact that the peak harvest season of durian, one of our best-selling core fruit products, was delayed by approximately one month in 2022. Such a delay was primarily caused by the local weather conditions in Thailand, which delayed the ripening time of durian, as well as the tightened government controls on durian harvesting in Thailand and the restrictions on harvesting unripe durian, resulting in a lag in the peak sales season of our durian products.

In addition, the growth in sales of non-core fruit products also contributed to the increase in the average amount of sales to terminal wholesalers. Through our demonstrated track record, we obtained trust and recognition from existing customers. In addition, customers could benefit from decreased operating costs and lowered delivery costs when making purchases from one fruit distributor for multiple types of fruit. Therefore, customers are motivated to purchase

BUSINESS

additional fruit products from us, bringing upselling and cross-selling opportunities across fruit product offerings. Lastly, collaboration with terminal wholesalers with cross-city business coverage also contributed to such increase in average amount of sales during the Track Record Period. When we expand into new cities wherein such terminal wholesalers have business presence, they would choose to purchase from us in the new markets. We believe that relevant terminal wholesalers also benefited from such arrangements as they can obtain standardized quality and operation, thereby reducing management and operation costs. The average amount of sales of other fruit products to terminal wholesalers increased from RMB0.7 million in 2019 to RMB1.5 million in 2020 and increased to RMB2.3 million in 2021, and further increased by 38.3% from RMB1.1 million in the five months ended May 31, 2021 to RMB1.6 million in the five months ended May 31, 2022.

We do not rely on any single or small number of terminal wholesalers. We worked with over 1,000 terminal wholesalers during the Track Record Period. They are not required to distribute our products exclusively. Our revenue from any single terminal wholesaler accounted for no more than 5.8% of our total revenue during the Track Record Period.

During the Track Record Period, we have maintained good business relationships with our terminal wholesalers. The below table sets forth the total number of our terminal wholesalers and the movement (including addition and termination) of terminal wholesalers during the Track Record Period:

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Number of Terminal Wholesalers at the Beginning of the Period	345	410	699	1,076
Number of New Terminal Wholesalers	268	500	530	172
Number of Terminated Terminal Wholesalers	203	211	153	54
Number of Terminal Wholesalers at the End of the Period	410	699	1,076	1,194

In 2019, 2020 and 2021 and the five months ended May 31, 2022, we terminated business relationships with 203, 211, 153 and 54 terminal wholesalers, respectively. We terminated business relationships with these terminal wholesalers primarily for the following reasons: (i) optimization of our distribution network to improve efficiency; and (ii) change of wholesalers' business scope and focus. In 2019, 2020 and 2021 and the five months ended May 31, 2022, revenue attributable to the terminated terminal wholesalers was RMB37.7 million, RMB77.8 million, RMB204.8 million and RMB105.2 million, respectively. During the Track Record Period and up to the Latest Practicable Date, there were no material unsettled disputes or litigations with such terminated terminal wholesalers. As the quality and business capability of our distributors in general have gradually become more stable and sophisticated, the number of distributors whom we terminated were relatively stable during the Track Record Period.

BUSINESS

Taking into account a combination of our business development needs, we engaged 268, 500, 530 and 172 new terminal wholesalers in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. We increased the number of new terminal wholesalers we engaged as we actively expanded our distribution network and penetrated into new markets. In particular, we engaged additional terminal wholesalers in 2020 and 2021 due to our increased business expansion, which is in line with our overall growth. During the same periods, revenue attributable to the new terminal wholesalers was RMB374.1 million, RMB1,424.7 million, RMB1,125.0 million and RMB527.8 million, respectively.

Key Terms of Agreements with Terminal Wholesalers

In general, we enter into standard sales agreements with our terminal wholesalers and maintain a seller-buyer relationship with them. Major terms of our standard sales agreements include:

- *Duration.* The term of our agreements with terminal wholesalers is generally one to three years, and may be renewed upon mutual agreement.
- *Payment and credit terms.* The payment terms shall be set forth in each sales agreement, generally with a credit term of no more than 180 days.
- *Sales target.* We generally do not set any sales targets for our terminal wholesalers in the agreement.
- *Minimum purchase requirements.* We generally do not set any minimum purchase requirements for our terminal wholesalers in the agreement.
- *Pricing policy.* We generally do not specify pricing policies including the minimum sales price in the agreement.
- *Return or exchange of products.* Due to the nature of fruit, except for defective or incorrect products that are identified on-site, fruits sold from us to terminal wholesalers belong to them upon acceptance and cannot be returned. Such return policy is in line with industry practices.
- *Transfer of risk.* The risk transfers to the terminal wholesalers upon acceptance of fruit products or when our products are picked up by third-party logistics service providers.
- *Delivery of products.* We can choose either of the following methods to deliver the products: (i) terminal wholesalers pick up products and bear logistics costs; or (ii) we engage independent third-party logistics service providers to deliver our fruit products to terminal wholesalers at our expense.

BUSINESS

- *Liability for breach of contract.* If the payment is overdue for more than 15 days, we have the right to terminate the agreement unilaterally and require the terminal wholesalers to pay liquidated damages.
- *Termination.* We may terminate the agreement if (i) the term expires; (ii) both parties terminate the agreement with prior notice; or (iii) the purpose of the agreement cannot be achieved due to force majeure. Each party may unilaterally terminate the agreement with a 30-day prior written notice.

Emerging Retailers

With the increasing trend of consumption upgrading in China, through bringing customers optimized shopping experiences and diversified products, emerging retail channel has witnessed significant growth in the last five years and is expected to further expand and become a mainstream channel in China's fresh fruit market, according to CIC. Emerging retail channel primarily includes community-based fresh-food chain stores, on-demand e-commerce, community group buying, and comprehensive e-commerce, according to CIC. Community-based fresh-food chain stores are brick-and-mortar stores that serve the surrounding community's residents, allowing them to walk into the stores and purchase a wide variety of fresh fruits and vegetables. Community group buying surged since late 2020 after the breakout of COVID-19 pandemic and enables consumers of a defined residential area to place bulk orders for products at discounted prices or with special offers. Orders are often delivered to a nearby specified location for consumers to pick up the following day, making daily necessities convenient and affordable for consumers. On-demand e-commerce refers to e-commerce platforms that offer consumers local on-demand delivery. These platforms offer a wide range of products and fulfill orders rapidly, making relevant products easily accessible to consumers. Lastly, comprehensive e-commerce refers to e-commerce that provides express delivery. For details of the emerging retail channel, please see "Industry Overview — Overview of China's Fresh Fruit Retail Market — Drivers and Trends in the Fresh Fruit Retail Industry".

To reach more consumers and promote our products in an efficient manner, we began to sell our products to emerging retailers in China during the Track Record Period, primarily including community group buying, community-based fresh-food chain stores, and on-demand e-commerce. Typically, these emerging retailers provide consumers with fruit, fresh produce, meat, and other daily necessities. We believe this is a very important sales channel for us because their target audiences are similar to ours, namely consumers with needs for fruit products. Furthermore, with a large national footprint, emerging retailers could distribute our fruit products in second-tier cities, which is in line with our strategy to expand distribution network and penetrate into more markets, where our products have a relatively lower penetration rate and higher growth potential.

Capitalizing on our grading, packaging and sorting capabilities, we have developed fruit products with packaging options upon request to meet the growing demand from emerging retailers with an appetite for standardized and small packets that appeal to the market. Leveraging our strong supply chain management capacities and product offerings, emerging

BUSINESS

retailers have access to efficient solutions without making a heavy investment, which is very appealing to them and distinguishes us from our peers. Our fruit products were well recognized by consumers, facilitating us to collaborate with additional emerging retailers and constantly expand this sales channel during the Track Record Period. This has also enabled us to market other products into this channel, resulting in increased sales and profitability.

The below table sets forth our sales to different emerging retailers during the Track Record Period.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Community Group Buying ⁽¹⁾	271	0.1	39,504	3.9	544,070	25.5	261,362	25.3	258,989	21.9
Community-based Fresh-food Chain Stores ⁽²⁾	64,603	13.7	270,189	26.9	490,987	23.0	197,099	19.0	227,931	19.2
On-demand E-commerce ⁽³⁾	73,722	15.6	226,884	22.6	389,674	18.3	207,031	20.0	164,761	13.9
Comprehensive E-commerce ⁽⁴⁾	332,799	70.6	468,685	46.6	708,857	33.2	369,488	35.7	533,079	45.0
Total	471,395	100.0	1,005,262	100.0	2,133,588	100.0	1,034,980	100.0	1,184,760	100.0

Notes:

- (1) The revenue generated from community group buying increased significantly from 2020 to 2021 primarily because this sales channel witnessed tremendous growth after the outbreak of COVID-19. In response to COVID-19, the PRC government imposed widespread lockdowns and restrictions on mobility to contain the spread of the virus, making community group buying an ideal and convenient option for fruit consumers in China by allowing consumers in a single community to order in bulk at discounted prices, according to CIC. We were an early mover to seize this opportunity and develop this sales channel proactively through collaborating with additional new leading community group buying customers in 2020.

In particular, because community group buying primarily surged in the fourth quarter of 2020 according to CIC, we increased our collaboration with these customers since then, in line with the market trends. Our collaboration with these customers gradually expanded due to market needs, leading to a significant increase in revenue contribution from these customers in 2021. Before 2020, we had little sales to community group buying and it expanded in line with the market needs, leading to a significant increase of percentage in revenue contribution from these customers in 2021. According to CIC, the retail value of community group buying experienced significant growth of 89.9% from 2019 to 2020 and further increased by 361.5% from 2020 to 2021 in China. We capitalized on the opportunities created by this market trend by successfully placing ourselves as the fruit supplier for these customers, especially those leading community group buying players with dominant market positions. We collaborated with top five community group buying players in 2020 in terms of GMV, and continually increased our sales to them since 2020. The revenue generated from community group buying decreased slightly from the five months ended May 31, 2021 to the five months ended May 31, 2022, primarily because of the significant increase in revenue contribution from comprehensive e-commerce.

- (2) The percentage of revenue contribution from community-based fresh-food chain stores increased in 2020 primarily as a result of our active development of this sales channel through collaboration with more community-based fresh-food chain stores, as we determined it to be a thriving sales channel with a broad consumer base. The percentage of revenue contribution from community-based fresh-food chain stores decreased in 2021 due to the significant increase in revenue contribution from community group buying customers.

BUSINESS

The overall growth of community-based fresh-food chain stores also brought business opportunities to us, where our strong fruit supply chain capability helps them to save resources and costs in managing fruit categories that residents desire in their daily life. According to CIC, the retail value of fresh fruits sold through community-based fresh-food chain stores in China increased significantly by 33.0% from 2019 to 2020 and further increased by 32.0% from 2020 to 2021. Such growth was largely attributable to leading players in this channel who have more resources and stronger brand names. We collaborated with leading community-based fresh-food chain stores and steadily increased our sales to them, which further contributed to the increase in our sales to community-based fresh-food chain stores during the Track Record Period.

- (3) The percentage of revenue contribution from on-demand e-commerce increased in 2020 primarily because we collaborated with a leading on-demand e-commerce company in China in 2019, which has since become one of our top five customers, resulting in an increase in revenue generated by on-demand e-commerce in 2020. The percentage of revenue contribution from on-demand e-commerce decreased in 2021 due to the significant increase in revenue contribution from community group buying customers. The revenue generated from on-demand e-commerce decreased from the five months ended May 31, 2021 to the five months ended May 31, 2022, primarily because of the decrease of purchase from our top five customers, who primarily purchased durian from us and the peak harvest season of durian was delayed by approximately one month in 2022. Such a delay was primarily caused by the local weather conditions in Thailand, which delayed the ripening time of durian, as well as the tightened government controls on durian harvesting in Thailand and the restrictions on harvesting unripe durian, resulting in a lag in the peak sales season of durian. In addition, the percentage of revenue contribution from on-demand e-commerce decreased in the five months ended May 31, 2022, primarily attributable to the significant increase in revenue contribution from comprehensive e-commerce.

During the Track Record Period, we have established and maintained a stable business relationship with many on-demand e-commerce customers, particularly leading players. On-demand e-commerce meets the needs of modern residents in China who value freshness, efficiency, and timely delivery of quality fruit, and for whom strong logistics and inventory management capabilities with nationwide coverage are critical in selecting suppliers. In this respect, we enjoy distinguished advantages with our end-to-end supply chain, nationwide distribution network, and sorting centers that provide products catering to the needs of on-demand e-commerce customers. Therefore, our sales to on-demand e-commerce customers increased significantly during the Track Record Period.

- (4) Comprehensive e-commerce platforms represent the most established online sales market players in China. We have been selling fruit to sellers on leading comprehensive e-commerce platforms since 2017. Our sales to these customers increased generally in line with the organic growth of this sales channel. According to CIC, the retail value of comprehensive e-commerce grew at a CAGR of 23.0% from 2019 to 2021. Going forward, we expect our sales to this channel to continue increasing, taking into account their strong business presence in China, expected growing public preference for fresh fruits and online purchasing habits, as well as consumers' recognition of our fruit and brand.

The percentage of revenue contribution from comprehensive e-commerce declined in 2020 primarily because some of our major comprehensive e-commerce customers adjusted their own focus of business, and there was a significant increase in our total revenue generated from emerging retailers as a result of our optimized sales and distribution network. The percentage of revenue contribution from comprehensive e-commerce decreased in 2021 due to the significant increase in revenue contribution from community group buying customers. The revenue generated from comprehensive e-commerce increased significantly from the five months ended May 31, 2021 to the five months ended May 31, 2022, primarily because consumers increased their purchases through such comprehensive e-commerce platforms due to the COVID-19 outbreak in China, and such customers subsequently increased their purchases from us.

As of December 31, 2019, 2020 and 2021 and May 31, 2022, we sold fruits to 50, 100, 111 and 125 emerging retailers. In 2019, 2020 and 2021 and the five months ended May 31, 2022, our revenue generated from sales to emerging retailers amounted to RMB471.4 million, RMB1,005.3 million, RMB2,133.6 million and RMB1,184.8 million, accounting for 22.7%, 17.4%, 20.7% and 20.7% of our total revenue, respectively. Our revenue from sales to emerging retailers increased steadily during the Track Record Period. This increase was driven by our success in capitalizing on the latest trend of emerging retail channel in China, as well as the fast expansion of emerging retailers, and we were well-positioned to capitalize on this industry wave that brought up new business opportunities to grow. Our strong national supply chain management capabilities provide effective and cost-efficient solutions to emerging retailers who expanded their business coverage across China rapidly during the Track Record Period, requiring quick supply and delivery of fruit products in more regions as it expands.

BUSINESS

Also, leveraging sorting centers across China that separate a load of fruits into different scales and pack them into small-packet products of different specifications that are ready-to-sell upon request, we could fulfill the demands of emerging retailers.

In addition, the average amount of sales to emerging retailers increased by 6.6% from RMB9.4 million in 2019 to RMB10.1 million in 2020, and increased by 91.2% to RMB19.2 million in 2021. This increase was partially attributable to our successful selection of market-appealing core fruit products, which has contributed to other fruit product sales as well, catering to the growing market demand for fruits in China. The average amount of sales to emerging retailers decreased by 3.8% from RMB9.9 million in the five months ended May 31, 2021 to RMB9.5 million in the five months ended May 31, 2022, primarily because of the decrease in the average amount of sales of core fruit products to customers. The average amount of sales of core fruit products to emerging retailers decreased from RMB7.3 million in 2019 to RMB6.8 million in 2020 and increased to RMB10.2 million in 2021, and decreased from RMB5.8 million in the five months ended May 31, 2021 to RMB4.5 million in the five months ended May 31, 2022. The average amount of sales of other fruit products to emerging retailers increased from RMB2.1 million in 2019 to RMB3.2 million in 2020 and further to RMB9.0 million in 2021, and increased from RMB4.0 million in the five months ended May 31, 2021 to RMB5.0 million in the five months ended May 31, 2022. The average amount of sales of core fruit products per emerging retailer fluctuated during the Track Record Period mainly because the rapid growth in the number of emerging retailers we were collaborating with, as well as the fact that the peak harvest season of durian, one of our best-selling core fruit products, was delayed by approximately one month in 2022. Such a delay was primarily caused by the local weather conditions in Thailand, which delayed the ripening time of durian, as well as the tightened government controls on durian harvesting in Thailand and the restriction on harvesting unripe durian, resulting in a lag in the peak sales season of our durian products. The fluctuation was partially offset by the increase in the sales of our other fruit products.

During the Track Record Period, we managed to continuously increase our sales to emerging retailers partially thanks to our collaboration with additional leading market players across emerging retail channels with significant capital resources to make bulk purchases from us since 2020. Also, through the expansion of our sorting center layout, which increased from two as of December 31, 2019 to 60 as of May 31, 2022, we were able to fulfill the growing demands from emerging retailers, who have an appetite for market-appealing standardized and small packets. Lastly, during the Track Record Period, emerging retailers rapidly expanded their business footprint in China from top-tier to lower-tier cities. These emerging retailers prefer fruit distributors with nationwide distribution capacity to keep up with their quick expansion plans. As a result, thanks to our strong distribution capacities, emerging retailers escalated their purchases from us and we capitalized on their rapid expansion during the Track Record Period.

BUSINESS

The below table sets forth the total number of the emerging retailers we worked with and the movement (including addition and termination) of emerging retailers during the Track Record Period.

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Number of Emerging Retailers at the Beginning of the Period	23	50	100	111
Number of New Emerging Retailers	37	67	32	19
Number of Terminated Emerging Retailers	10	17	21	5
Number of Emerging Retailers at the End of the Period	50	100	111	125

The number of emerging retailers we terminated in 2019, 2020 and 2021 and the five months ended May 31, 2022 were ten, 17, 21 and five, respectively. The termination was primarily due to our efforts to optimize distribution network, and such emerging retailers did not meet our evaluation standards in terms of sales and credibility. We take various factors into consideration in evaluating emerging retailers, such as their sales performance, reputation, and popularity. In 2019, 2020 and 2021 and the five months ended May 31, 2022, we engaged 37, 67, 32 and 19 new emerging retailers, respectively. We collaborated with additional emerging retailers in 2020 because we started collaboration with community group buying customers, which is also in line with market trends. According to CIC, community group buying surged in the fourth quarter of 2020 due to the outbreak of COVID-19, the number of new entrants decreased in 2021. In 2019, 2020 and 2021 and the five months ended May 31, 2022, revenue attributable to the terminated emerging retailers was RMB2.5 million, RMB9.1 million, RMB21.3 million and nil, respectively. During the same periods, revenue attributable to the new emerging retailers was RMB154.4 million, RMB255.8 million, RMB138.2 million and RMB205.3 million, respectively.

Key Terms of Agreements with Emerging Retailers

We entered into sales and purchase agreements with emerging retailers and maintain a seller-buyer relationship with them. The major terms of the sales and purchase agreement with emerging retailers are summarized as follows:

- *Duration.* The term of our agreements with emerging retailers is generally one year, subject to negotiation, and may be renewed upon mutual agreement.
- *Payment and credit terms.* Emerging retailers are generally required to settle payments with a credit term of no more than 180 days once fruit products have been delivered to them.
- *Sales target.* We generally do not set any sales targets.

BUSINESS

- *Minimum purchase requirements.* We do not set any minimum purchase requirements for our emerging retailers.
- *Pricing policy.* We generally do not specify pricing policies including the minimum sales price in our standard sales and purchase agreement.
- *Product returns/exchanges.* Due to the perishable nature of fruit, we generally do not allow return upon customers' acceptance, except under certain limited circumstances, such as when products are defective, poorly packaged or damaged, delivery specifications are not met, or the quantity delivered was inconsistent with the purchase order. Customers also have an option to accept a purchase discount in lieu of product return or exchange.
- *Delivery of products.* We typically engage independent third-party logistics service providers to deliver our fruit products to the designated warehouses of emerging retailers, and such costs are borne by us.
- *Transfer of risks.* The risks are transferred to emerging retailers after they complete inspection and confirm the receipt of our products.
- *Product quality assurance.* We guarantee that our products comply with all quality standards specified in relevant laws and regulations.
- *Liability for breach of contract.* We are liable for any direct or indirect economic damages that the emerging retailers suffer if the loss of third-party persons or property is caused by a quality problem with our products or by our breach of this agreement.
- *Termination.* This agreement can be terminated when (i) the term of the agreement expires; (ii) both parties agree to terminate the agreement; (iii) one party files for bankruptcy; (iv) one party has deteriorating business operations; (v) one party transfers property, withdraws funds or avoids debts; or (vi) our products have defects or other quality problems.

Supermarket Customers

We also sell fruit products to a number of supermarket customers across China. As of December 31, 2019, 2020 and 2021 and May 31, 2022, we had a network of 68, 114, 124 and 131 supermarket customers, respectively. In 2019, 2020 and 2021 and the five months ended May 31, 2022, our revenue generated from supermarket customers amounted to RMB399.3 million, RMB1,072.7 million, RMB1,455.4 million and RMB661.5 million, accounting for 19.2%, 18.6%, 14.2% and 11.5% of our total revenue, respectively. We believe such relationships with supermarket customers contribute to our business growth, strengthen our market position and enhance our brand image.

BUSINESS

We distinguish ourselves by offering supermarket customers a combination of high-quality products as well as value-added services. As of December 31, 2021, according to CIC, eight of China's top ten supermarket companies in terms of sales revenue in 2021 were our customers. We address the needs of supermarket customers through: (i) our reliable and stable supply of fruit product in quality and in quantity; (ii) our bespoke service capacity; and (iii) our digitalized supply chain management, which enables us to supply fruit products based on customer specification of time and quantity.

We select and regularly evaluate our supermarket customers based on a number of factors, including their business scale, number of retail outlets, network coverage and reputation. During the Track Record Period, we have maintained good working relationships with our supermarket customers. The table below sets forth the total number of our supermarket customers and their movement (including addition and termination) during the Track Record Period.

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Number of Supermarket Customers at the Beginning of the Period	44	68	114	124
Number of New Supermarket Customers	45	73	43	18
Number of Terminated Supermarket Customers	21	27	33	11
Number of Supermarket Customers at the End of the Period	68	114	124	131

During the Track Record Period, we collaborated with both local and national supermarkets, and the number of supermarket customers increased continually. When we first expanded into new markets, we attracted new local supermarket customers with high-quality fruit products and end-to-end supply chain management capacities. During the Track Record Period, we also collaborated with additional national supermarkets. Supermarkets with a national presence generally prefer fruit distributors with the capacity to deliver fruit products of standardized quality to their nationwide retail or franchise stores for them to carry out group-wide management efficiently. As we set up new sales branches and sorting centers during the Track Record Period to provide fruit products of high quality with consistent standards and stability, we collaborated with more national leading supermarkets and continually increased our overall sales to them. Capitalizing on their national presence, we enjoyed significant revenue growth.

In addition, the average amount of sales of supermarket customers increased by 60.3% from RMB5.9 million in 2019 to RMB9.4 million in 2020, and increased by 24.7% to RMB11.7 million in 2021. This increase was partially attributable to our collaboration with national supermarkets with strong procurement demands. When we enter into new cities wherein existing supermarket customers maintain business operations, we are able to escalate sales to such national supermarkets and sell to more of their retail or franchise stores. Moreover,

BUSINESS

similar to other channels, we also owe our success to the successful selection of market-appealing core fruit products, which brought cross-selling opportunities of other fruit product sales. For similar reasons as our other customers, the average amount of sales to supermarket customers decreased by 10.6% from RMB5.6 million in the five months ended May 31, 2021 to RMB5.0 million in the five months ended May 31, 2022. The average amount of sales of core fruit products to supermarkets increased from RMB4.1 million in 2019 to RMB6.4 million in 2020 and further increased to RMB7.4 million in 2021, and decreased from RMB3.8 million in the five months ended May 31, 2021 to RMB2.6 million in the five months ended May 31, 2022. The decrease was partially offset by the increase in the average amount of sales of other fruit product during the same period. In fact, the average amount of sales of other fruit products to supermarkets increased from RMB1.8 million in 2019 to RMB3.0 million in 2020 and increased to RMB4.4 million in 2021, and further increased from RMB1.9 million in the five months ended May 31, 2021 to RMB2.5 million in the five months ended May 31, 2022.

In addition, similar to our other customers, the capacity to provide fruits in quality and quantity is of significance to supermarket customers. Leveraging the end-to-end supply chain, we are able to secure quality fruit in bulk and in advance. With such a stable supply of quality fruit, we are able to increase customer trust and increase the average amount of sales. For example, as a result of the COVID-19 outbreak, Chinese customs increased its requirements on imported product disinfection and implemented requirements on COVID-19 test reports of imported products. Many imported durian distributors in China rely on third-party fruit agents without end-to-end control over their products, resulting in positive test reports of their durian products and causing a durian supply shortage in some local wholesale markets. In comparison, we do not rely on wholesale markets for durian sourcing, and through our integrated and efficient end-to-end supply chain management, we monitored the whole procedures along the supply chain and ensured disinfection and negative test reports. As a result, we obtained trust from supermarket customers throughout this unexpected outbreak of the epidemic and escalated sales to respective supermarket customers and sold to more of their retail or franchise stores.

To our best knowledge, during the Track Record Period, all of the supermarket customers were Independent Third Parties. We terminated relationships with 21, 27, 33 and 11 supermarket customers in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, primarily because we gradually phased out supermarket customers whose credibility could not satisfy our standards. Due to our business expansion, we engaged 45, 73, 43 and 18 new supermarket customers in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. In 2019, 2020 and 2021 and the five months ended May 31, 2022, revenue attributable to the terminated supermarket customers was RMB11.7 million, RMB104.5 million, RMB76.0 million and RMB5.2 million, respectively. During the same periods, revenue attributable to the new supermarket customers was RMB125.0 million, RMB209.3 million, RMB130.0 million and RMB24.8 million, respectively.

BUSINESS

Key Terms of Agreements with Supermarket Customers

In general, we enter into standard sales and purchase agreements with our supermarket customers and maintain a seller-buyer relationship with them. The major terms of the sales and purchase agreement are summarized as follow:

- *Duration.* The term of our agreements with supermarket customers is generally one year, subject to negotiation, and may be renewed upon mutual agreement.
- *Payment and credit terms.* We generally issue an invoice to supermarket customers after respective fruit products have been delivered to settle the payment with a credit term of no more than 180 days.
- *Sales target.* We generally do not set any sales targets for our supermarket customers.
- *Minimum purchase requirements.* We do not set any minimum purchase requirements for our supermarket customers.
- *Pricing policy.* We generally do not specify pricing policies including the minimum sales price in our standard sales and purchase agreement.
- *Delivery of products.* We typically engage independent third-party logistics service providers to deliver our fruit products to the designated warehouses of supermarket customers, and such costs are borne by us.
- *Return or exchange of products.* Due to the perishable nature of fruit, we generally do not allow return upon supermarket customers' acceptance, except under certain limited circumstances, such as when products are defective, poorly packaged or damaged, delivery specifications are not met, the quantity delivered was inconsistent with the purchase order, or in case of slow-moving products.
- *Transfer of title.* The title transfers to the supermarket customers when the products are accepted by the supermarket customers.
- *Termination.* This agreement can be terminated when (i) there is a material breach of the agreement; (ii) there are illegal activities; (iii) business license is suspended by government authorities; or (iv) we fail to supply products to the supermarket.
- *Liability for breach of contract.* We shall be liable for any damages that the supermarket suffers if we breach the agreement.

BUSINESS

Direct Sales

We set up points of sale in the wholesale markets across China to serve as logistics hub stations and infrastructures primarily to facilitate and support sales to terminal wholesaler, supermarket and emerging retailer customers, where they can pick up orders or obtain required delivery services. In addition to serving as fruit exhibition spaces allowing customers to inspect fruit quality, these points of sale are also used for temporary storage and quick dispatching terminals.

Meanwhile, because wholesale markets in China typically offer goods at a lower price than supermarkets, many individuals and institutions, such as schools, hospitals, and restaurants, may visit wholesale markets occasionally to purchase fresh produce and other daily necessities. As a result, direct sales occurred at our points of sale during the Track Record Period, which also facilitated sales and inventory management. Lastly, through small-batch direct sales, we could collect customer feedback to support future marketing and sales planning.

As of May 31, 2022, we had 198 points of sale located in the wholesale markets across 27 cities in China. According to CIC, it is a common practice for fruit distributors in China to set up points of sale in wholesale markets to exhibit, store and sell their fruits. Our points of sale have an average floor area of approximately 68 square meters as of May 31, 2022. Such points of sale are typically located in multiple leased properties adjacent to one another and could be utilized for the purpose of cold storage, loading, and display. The following pictures exhibit some of our points of sale.



Points of sale located in the wholesale market
in Guiyang, Guizhou Province



Points of sale located in the wholesale market
in Wuhan, Hubei Province

In 2019, 2020 and 2021 and the five months ended May 31, 2022, our revenue generated from our direct sales to customers that took place at points of sale amounted to RMB144.5 million, RMB652.9 million, RMB1,211.9 million and RMB610.7 million, accounting for 7.0%, 11.3%, 11.8% and 10.7% of our total revenue, respectively. The increase in revenue generated from direct sales was attributed to the increase in both the number of points of sale where direct sales took place and the average amount of sales per point of sale. As of December 31, 2019, 2020 and 2021 and May 31, 2022, we had 74, 143, 186 and 198 direct points of sale. The number of points of sale increased mainly because we entered into more wholesale markets in China as we expanded into new cities.

BUSINESS

The average amount of sales per point of sale increased from 2019 to 2021, primarily because there has been an increasing number of visitors to the wholesale markets choosing to purchase from us as a result of growing recognition of our brands and the continuous expansion of our business scale. The average amount of sales per point of sale decreased slightly from the five months ended May 31, 2021 to the five months ended May 31, 2022 under the effect of COVID-19. In particular, our points of sale in Shanghai's wholesale markets were ceased temporarily in accordance with local instructions, but have resumed normal operations as of the Latest Practicable Date. During the Track Record Period, except for customers from other distribution channels, some new customers who visit the fruit wholesale markets can also purchase fruit products from points of sale during their visits. Although there may be many points of sale of different fruit distributors in the fruit wholesale markets, large-scale distributors with brands and good reputations are often the first choice of institutional and individual customers who choose to make direct purchases at points of sale. This is because these distributors typically offer a more competitive price, leveraging their economies of scale, and provide fruit of higher quality due to their consistent quality control and high standards. As a result, while we increased our overall business scale and reputation, we attracted more customers to make direct purchases at points of sale. Furthermore, similar to other distribution channels, the increase was also attributable to the successful assortment of market-appealing core fruit products, which contributed to the sales of our other fruit products, leading to an overall increase in the average amount of sales per point of sale.

Management of Sales and Distribution Network

Our continuous efforts to sell fruits in the best conditions and with the optimal shelf life by implementing stringent quality control measures throughout our operations require the effective engagement of our customers. To this end, we schedule periodic training sessions and regular visits from our sales team. Our quality requirements cover hygiene conditions, product packaging and display standards, shelf stacking and shelf life, as well as in-store storage requirements such as temperature. We also visit customers on a regular basis to assess their performance, facilitate their understanding, and ensure ongoing compliance with our quality standards. In addition, our sales team could assist customers in assessing their sales management and business performance, as well as examining whether the customers have employed prudent management of procurement and inventory practices. These measures enable us to maintain good working relationships with our sales and customers. During the Track Record Period and up to the Latest Practicable Date, there were no material disputes or litigations with terminal distributors, supermarket customers or emerging retailers.

We continue to monitor our customers' compliance with the terms and conditions of their distribution agreements through routine visits. Our distributors are also liable for breaches of their distribution agreements, and they are required to indemnify us for relevant breaches. We can terminate our distributors if they breach material provisions stipulated in the agreements.

BUSINESS

We believe that our sales correspond to actual end-customer demand, and therefore, our products are at low risk of channel stuffing in our distribution network, primarily because we generally do not allow returns of products sold upon acceptance. Due to the perishable nature of fruits, except for the defective or wrong products that are identified prior to acceptance, fruits sold by us belong to customers and cannot be returned. According to CIC, this is in line with the industry practice. There are no obsolete inventory or repurchase arrangements between our customers and us. In practice, defective or wrong products are rare occurrences, and the amounts subject to return are very insignificant. In addition, we are able to estimate market trends using our *HJ Star Bridge* (洪九星橋) platform by analyzing data such as inventory levels, regional sales volume, sales patterns, and sales comparisons to historical statistics. Leveraging such market insights, our sales team could advise our customers on category planning and product offerings, with a view of minimizing unsaleable products and avoiding overstocking.

Given the significance of fruit as a necessity in people's daily meals and the enormous market demand for high-quality fruit amidst consumption upgrading, we do not face significant risks of cannibalization, which is evidenced by our successful track record. Additionally, we believe that the following business strategies further shield us from any risk of cannibalization: (i) we price our fruit products with consistent policy across all distribution channels to ensure the standardization and stability of distribution network; (ii) we offer a variety of fruit categories and quality levels as well as packaging options upon customers' request; and (iii) our direct sales channel functions as a natural extension and supplement to our distribution network without special promotion events to create competition between our customers and us.

Anti-Bribery and Corruption Policy

In order to protect our reputation and integrity, we have implemented an anti-bribery and corruption policy that requires our employees, customers, and suppliers to conduct business legally and ethically. By signing a letter of commitment for anti-corruption (the "**letter of commitment**"), we request that our suppliers and customers commit in writing not to engage in non-compliance, suspicious transactions, fraud, corruption, or bribery.

The letter of commitment prohibits our suppliers, customers, and employees from offering each other unauthorized payment in the form of bribes, kickbacks, or any other benefits. Pursuant to the letter of commitment, employees who commit non-compliance, suspicious transactions, fraud, corruption or bribery will face a fine of the greater of RMB10,000 or 20% of the contract value. In addition, to facilitate the implementation of the letter of commitment, we compensate whistleblowers with monetary rewards ranging from RMB1,000 to RMB50,000.

QUALITY CONTROL

Food safety and quality control are of paramount importance to our reputation and business. To ensure fruit quality, we have established a comprehensive set of standards and requirements covering all material sectors along the entire supply chain, including fruit

standardization, procurement, processing and logistics. We obtained the ISO9001 Quality Management System certification since 2018. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material food safety incidents and we had not experienced any product liability claims.

Food Safety and Quality Grading System

One of the major food safety risks of fresh fruits is excessive pesticide residue. To address this risk, we require our suppliers to exert stringent control over pesticide use and to track and report test results on pesticide and heavy metal residue for every batch of the fruits.

Fruits are non-standardized products. However, quality control and brand building are dependent on the uniform product standards. The establishment of a standardized fruit quality grading system is fundamental for the quality control management and establishment of fruit brands, thereby is of significance to our business operations. We have different grading scales across different categories for freshness, crispness, softness, flavor, size, color and absence of defects. We review and modify such quality standards periodically in response to various factors and forecasts, including the changing climate and market conditions. Fruit quality standards are fundamental for our quality grading and the execution of standardized quality control, which ensures our product quality, and in turn, our reputation.

Procurement Quality Control

We have implemented an admission and assessment system to manage our suppliers. We have created a supplier evaluation form in which the suppliers' names, qualifications, products provided, evaluation results, supply volume and other key information are specified. We regularly evaluate and grade supplier performance and may terminate collaboration with suppliers who fail to meet our requirements.

We conduct sampling inspections on every batch of fruit upon arrival, and only accept fruit that meets our standards. Taking into account conditions like temperature and maturity status of every batch of fruit, we adjust fruit stacking and temperature control measures to assure product quality and extend shelf life.

Processing Quality Control

We grade and process fruit at processing plants to convert them into standard procedures. In addition, we require using non-toxic and non-hazardous packaging material that conforms to all applicable national regulations. In respect of hygiene requirements, we require our employees to undertake annual physical examinations and prohibit employees infected with diseases from having direct contact with fruits.

Prior to dispatch, we check the container's condition and conduct sampling inspections of stored fruits on a daily basis. In particular, we monitor the temperature of processing plants to minimize the loss rate and ensure the quality and freshness of our fruit products.

Logistics Quality Control

To prevent any quality issues with our products occurring during transportation, we developed detailed technical criteria to closely track and monitor the performance of third-party logistics service providers, taking into account the disparate characteristics of fruit. Through GPS, data loggers and IoT sensors, we closely monitor the temperature condition of most of our fruit containers and receive early warning of potential disruptions, thereby enhancing control over the transportation process. We have realized cold-chain-enabled transportation for all imported fruits from origins to sales. These measures further prevent risks arising from overheating and inappropriate stacking during the delivery of products.

OUR HISTORICAL PATH OF ACHIEVING RAPID GROWTH

Overview

A stable source of quality fruits, extensive industry experience, a seasoned management team, and a strong supply chain infrastructure are what distinguish us in China's highly competitive and fragmented fruit industry. These factors enable us to provide customers with the reliability and flexibility necessary to embrace changes in the fruit industry, winning and maintaining their trust. Many of our customers were well-established with considerable market influence, which further fueled our rapid growth during the Track Record Period.

During the Track Record Period, we have achieved a rapid growth as revenue grew by 177.8% from RMB2,077.7 million in 2019 to RMB5,771.4 million in 2020 and increased by 78.1% to RMB10,280.1 million in 2021, and increased by 25.1% from RMB4,575.7 million in the five months ended May 31, 2021 to RMB5,725.1 million in the five months ended May 31, 2022. We have also achieved significant growth in profitability throughout the Track Record Period. Our adjusted profit (non-IFRS measure) increased by 190.2% from RMB228.3 million in 2019 to RMB662.4 million in 2020 and increased by 64.5% to RMB1,089.6 million in 2021, and increased by 39.6% from RMB533.4 million in the five months ended May 31, 2021 to RMB744.5 million in the five months ended May 31, 2022.

Our success ties closely to, among others, our continued efforts in introducing and promoting premium fruit products into China, notably those imported from Southeast Asia. Category wise, revenue generated from our six core fruit products accounted for 74.9%, 68.3%, 57.5% and 46.7% of our total revenue during the Track Record Period, all of which have been carried under our self-owned brands. These fruits have been well-received in China, accounting for 64.6% of China's total imported fruits by retail value in 2021, making them the major imported fruit categories. These trends are expected to continue. According to CIC, these fruits are the top five fastest-growing fruit categories by retail value above RMB10.0 billion in 2021 in terms of expected growth rate for the next five years in China. For details, please also see "Industry Overview — Overview of China's Fresh Fruit Retail Market".

BUSINESS

Additionally, our strong technology and execution capabilities differentiate us from industry peers and enable us to effectively capture opportunities. During the Track Record Period, we (i) deepened our penetration into places of origin and secured a stable supply of premium fruits at premium origins, (ii) built a robust supply chain infrastructure that leveraged advanced technologies to ensure cost-effective delivery, and (iii) scaled up the layout of sales branches as well as sorting centers.

Furthermore, we owe our rapid growth in the past to sustained capital investments as a result of our shareholders' recognition of our end-to-end business model and execution capability, as well as their commitment and confidence in the development of China's fruit market. In particular, leveraging our demonstrated track record, we have conducted rounds of Pre-IPO Investments with an aggregated amount of approximately RMB2.0 billion since 2018. For details on our Pre-IPO Investments, please also see "History, Development and Corporate Structure — Major Shareholding Changes of Our Group — Our Company — 3. Pre-IPO Investments and Shareholding Changes of Our Company" and "History, Development and Corporate Structure — Further Details of the Pre-IPO Investments." The development of an end-to-end supply chain requires a heavy investment of time, capital and resources in both the upstream and downstream sectors. Our shareholders' investments, vision and resources have greatly fueled our quick expansion during the Track Record Period, and further distinguished us from industry peers with our extensive business network from places of origin to places of sales, product portfolio, and capital strength in establishing a competitive market position.

We believe these strengths set us apart from competitors in China's highly fragmented fresh fruit distribution market. Capitalizing on these features, we are able to accurately capture opportunities along the fruit industry's value chain. We have secured relationships with corporate customers that seek a stable and cost-effective supply of high-quality fruits, particularly those seeking to implement a uniform standard across their sales outlets in China. In addition, we are able to provide a stable supply of fruit in quality and quantity with cost efficiency during the past years, even during the pandemic. This allows us to build up reputation and gain trust from customers, which in turn, motivates them to purchase additional fruit products from us, driving upselling and cross-selling across our fruit product offerings.

Our market share in China's fresh fruit distribution market has increased from 0.2% in 2019 to 1.0% in 2021 by sales revenue, becoming the second largest fresh fruit distributor in China, according to CIC. Our customer base has expanded rapidly as well. The number of our partnered terminal wholesaler, emerging retailer and supermarket customers grew from 528 as of December 31, 2019 to 1,450 as of May 31, 2022. Despite the slight decrease from the five months ended May 31, 2021 to the five months ended May 31, 2022, the average amount of sales of terminal wholesaler, emerging retailer and supermarket customers increased at a CAGR of 40.2%, 42.8%, 41.4% in 2019, 2020 and 2021, respectively, and the average revenue per customer, namely terminal wholesaler, emerging retailer and supermarket customers, also increased from RMB3.7 million in 2019 to RMB6.9 million in 2021, representing a CAGR of 37.4% from 2019 to 2021. Please also see "Financial Information — Description of Major Components of Our Results of Operations — Revenue — Revenue from sales of fruits by

BUSINESS

categories” for more details. Capitalizing on these achievements, we believe that we are well prepared to properly manage inherent challenges associated with ever-changing customer preference in fruits and competition.

Key Initiatives that Allow us to Achieve Historical Success

Among other things, our past success rests upon the following key initiatives, through which, we managed to convert our strategies and competitive edges into continuous improvement in operational results:

- **We have established a leading market position in select fruit types that are well-received by the public, and have leveraged this to invest in enhancing our competitive edges through building up our brands, as well as expanding the range of products we could provide for specific customers or geographic markets.**

We have identified and promoted core fruit products that are well-received by the public, which greatly contributed to our past growth. We closely monitor the evolving market trends and consumer preferences and take a proactive approach to increase our market share of fruits with high growth potential. In particular, we believe quality fruits produced at select places of origin generally possess distinguished attributes. Leveraging our long-term deep penetration into places of origin, we are able to quickly build up relationships with local orchards for selected types of fruit products in China, Thailand and Vietnam. We have invested heavily in the past years in deepening and expanding our local presence, which cannot be easily replicated by others in a short time and such local presence further lays the foundation for the success of our procurement strategy. For instance, we began to build fruit processing plants in Thailand and Vietnam in 2018. The number of our fruit processing plants increased from four as of December 31, 2018 to 16 as of May 31, 2022.

During the Track Record Period, revenue generated from our core fruit products, namely durian, mangosteen, longan, dragon fruit, cherry and grapes, accounted for 74.9%, 68.3%, 57.5% and 46.7% of our total revenue during the Track Record Period. In particular, revenue generated from sales of durian accounted for over 27.1% of our total revenue in the five months ended May 31, 2022. Compared with industry peers, our core fruit products were well-received in China with a higher growth rate during the Track Record Period, accounting for 64.6% of China’s total imported fruits by retail value in 2021, making them the major imported fruit categories. Furthermore, durian, cherry, mangosteen, longan and dragon fruit are the top five fastest-growing fruit categories by retail value above RMB10.0 billion in 2021 in terms of expected growth rate for the next five years in China.

In particular, the retail value of durian increased from RMB21.0 billion in 2019 to RMB52.4 billion in 2021, representing a CAGR of 57.7%, which greatly exceeded the growth rate of other fruit categories. Durian has become China’s largest

imported fruit category with a retail value of RMB52.4 billion in China in 2021, accounting for approximately 31.7% of the total imported fresh fruit market by retail value. The retail value of durian is further expected to have the fastest growth rate in the next five years and reach a retail value of RMB130.6 billion in 2026, representing a CAGR of 20.1% from 2021 to 2026, according to CIC. In comparison, imported kiwi, imported bananas and imported pineapple, representative of some industry peers' main fruit categories, grew at a CAGR of 10.0%, 2.5% and (19.4)% in terms of retail value in China during the same period, accounting for approximately 4%, 8% and 1% of the total imported fresh fruit market by retail value, according to CIC. For details, please see "Industry Overview — Overview of China's Fresh Fruit Retail Market".

In the meantime, due to the perishable nature and short shelf life of fresh fruits, the capability to manage supply chain is also crucial to our success, requiring knowledge and insights into the special features of fruits and the industry itself. We have accumulated knowledge and insights towards supply chain management, ranging from processing, sorting, preservation and logistics, through long-term practices and frequent communication with participants along the value chain. In particular, our management is very experienced with first-hand operational experience across multiple fruit categories. We also conduct research on our land to improve agricultural skills and knowledge. Furthermore, we could better understand the supply chain through *HJ Star Bridge* (洪九星橋) system that allows us to monitor the entire supply chain closely and obtain additional industry data. As a result, leveraging such knowledge and insights, we have established a successful track record in managing various fruit products that can be scaled up and replicated in a cost-effective way.

Success in core fruit products spurred growth in other fruit products, which further propelled our rapid business expansion. Leveraging our demonstrated track record in introducing and promoting selected fruit categories, we have actively invested in the proliferation of product offerings accommodating market trends and customer preferences. This allows us to obtain trust and recognition from customers, which in turn, motivate them to purchase additional fruit products from us, driving upselling and cross-selling across our fruit product offerings. This further gives us opportunity to expand by both organic growth and replacement of other fresh fruit distributors when we scale our business operations. The average amount of sales of terminal wholesaler, emerging retailer and supermarket customers increased at a CAGR of 40.2%, 42.8%, and 41.4%, respectively. The average revenue per customer also increased from RMB3.7 million in 2019 to RMB6.9 million in 2021, representing a CAGR of 37.4% from 2019 to 2021, and decreased by 6.5% from RMB3.8 million in the five months ended May 31, 2021 to RMB3.5 million in the five months ended May 31, 2022. In this way, we are able to compete effectively in the highly fragmented fruit industry in China, while relevant customers benefit from

BUSINESS

a stable supply of high-quality fruit products with competitive prices. Our market share in China's fresh fruit distribution market has increased from 0.2% in 2019 to 1.0% in 2021 by sales revenue, according to CIC.

We have replicated our success with imported fruit to domestic fruit through implementing direct sourcing initiative. During the Track Record Period, we have established direct relationships with additional orchard suppliers from the places of origin in China. The proportion of our other fruit products that we procured directly from orchard suppliers increased from 38.8% in 2019 to 62.1% in 2020 and increased to 64.3% in 2021, and further increased to 65.5% in the five months ended May 31, 2022. We believe that direct sourcing from orchards and growers enables us to provide quality products while benefiting from the cost-efficient sales of non-core fruit products. In addition to direct sourcing, we increased revenue from our other fruit products by leveraging our extensive distribution network to reach additional customers, expanding domestic infrastructure that supports efficient logistics, and implementing marketing initiatives that offer fruit at competitive prices. Lastly, we witnessed significant growth in fruit sourced from China during the Track Record Period, especially apple and tangerine, which had the largest market share in China in 2021. Our revenue generated from sales of apple increased by 419.8% from 2019 to 2020 and further increased by 94.3% from 2020 to 2021, and further increased by 4.0% from the five months ended May 31, 2021 to the five months ended May 31, 2022, while our revenue generated from sales of tangerine increased by 203.8% from 2019 to 2020 and increased by 251.6% from 2020 to 2021, and further increased by 103.6% from the five months ended May 31, 2021 to the five months ended May 31, 2022. Revenue generated from our sales of kiwi increased by 192.9% from 2019 to 2020 and increased by 99.4% from 2020 to 2021, and further increased by 134.3% from the five months ended May 31, 2021 to the five months ended May 31, 2022.

As a result, revenue generated from sales of our other fruit products achieved significant growth during the Track Record Period at a CAGR of 189.4% from 2019 to 2021, and increased by 98.6% from the five months ended May 31, 2021 to the five months ended May 31, 2022.

Branding strategy that leverages the quality of fruits guaranteed by our technology-enabled supply chain management capability continued to drive business growth while increasing our influence with customers. We believe that brand awareness is essential to our long-term sustainability, as it enables us to differentiate ourselves and impress customers with our high-quality fruit products and our underlying technology-enabled supply chain management capability that ensures fruit quality. In line with this strategy, we have been steadily expanding our portfolio of branded fruit products. As of May 31, 2022, we had a portfolio of 18 fruit brands across 14 categories. During the Track Record Period, revenue generated from branded fruit products accounted for over 70% of our total revenue.

To summarize, by using our leadership in key categories that have seen overall rapid growth in China, product portfolio, as well as our rising brand influence, we have managed to achieve breakthroughs in recent years despite fierce competition. However, there are inherent challenges in various aspects of our business that may negatively affect our future growth and are beyond our control, please see “Risk Factors — Risks Relating to Our Business and Industry — Failure to Compete Effectively May Adversely Affect Our Market Share and Profitability.”

- **We have solved long-standing problems that have inhibited the growth of the fresh fruit supply chain, by focusing on customers in a cost-effective way, including terminal wholesalers, emerging retailers, and supermarkets, rather than focusing on direct sales to end customers.**

Fruits (i) are non-standardized products grown in widely dispersed places of origin and (ii) constitute a challenging logistical category, as each type of fruit has its unique requirement for storage and packaging, involving multiple layers of intermediaries leads to a low level of standardization that hinders product branding.

We believe our success in developing and retaining customers rests upon our strong capability of solving and meeting demands of relevant customers:

End-to-end operating capacity bringing cost-efficiency and transparency. We strategically positioned ourselves to attract customers seeking supply chain services, where we effectively connect growers and orchards with our customers, who are mostly distributors who further sell fruits downstream. Compared with other market participants who may focus on only a part of the supply chain, our service brings improved cost-efficiency by chipping away potential redundant procedures, as well as high transparency on logistics to promote trust on quality and facilitate our sales and marketing plan. In particular, we began to explore the local markets in Thailand in 2011 to capitalize on market prospects created by China’s rising appetite for Southeast-Asian fruits. Through years of efforts, our management team has accumulated long-term experience and necessary human resources in relation to end-to-end business model operations, ranging from developing local teams, operating fruit processing plants, fruit importation and exportation, as well as connecting business operations overseas with distribution network in China through efficient logistic management.

Leading fresh fruit distributors with end-to-end business models generally outperform their industry peers with a growth rate well above the industry average. Admittedly, we are not the only fruit distributor that has implemented an end-to-end business model, but our end-to-end business model is distinctive, especially for core fruit products.

In comparison, some leading fruit distributors have established nationwide sales and distribution networks, but they differ from us with their procurement method. They may rely on fruit agents to reach places of origin or some other leading fruit distributors for certain types of fruit, or implement an end-to-end business model for core fruit products that differ from ours. Some leading fruit distributors may enjoy deep penetration into the places of origin for their core fruit products with subsidiaries and direct collaboration with local growers, but do not maintain a nationwide sales and distribution network in China like us. See “Industry Overview — Competitive Landscape of China’s Fresh Fruit Distribution Industry”.

Our end-to-end business model enables both direct procurement at places of origin, and a comprehensive sales and distribution network across China. We believe that, such a difference could affect the management efficiency of the overall logistics arrangement as well as fruit quality, while setting different ways of building and maintaining trust with local orchards. As a result, we are of the view that we benefit from this mode of business operations, as proved by our successful track record and rapid expansion.

Stable supply of fruits in quality and quantity. Stable supply of quality fruits are of significance for us to attract and retain customers, in particular, those with broad business presence across China. Capitalizing on our ability to source a broad range of fruits, particularly, those from premium places of origin, we manage to establish long-term relationships with our customers. In addition, by expanding our product portfolio, relevant customers will enjoy cost-saving results by consolidating procurement channels and competitive pricing terms we can offer as a result of our scale of economy.

During the Track Record Period, direct sourcing from places of origin has been an important initiative we have taken to maintain quality and a stable supply. To implement this direct sourcing initiative, we procured fruit primarily from orchard suppliers in the places of origin. We typically start with a direct approach to the market-leading orchard suppliers in the fruit origins, and our extensive distribution network and large-scale procurement volume make us an attractive customer to such leading suppliers, thus enabling the collaborations when we approach. As we expand our distribution network, we scale up procurement volume from such leading suppliers, hence increasing their propensity to deepen our collaboration. As a result, leveraging the stable large-scale procurement volume, strong credibility, and value-added services provided to orchards and growers, we are able to strengthen our relationship with the leading local orchard suppliers, thereby demonstrating our purchasing power and enticing more suppliers in the same region to approach us, increasing our overall direct sourcing capacities.

BUSINESS

Extensive business network across China to offer trustworthy logistics solutions and quality services. Due to practical difficulty of establishing a supply chain covering various fruit products in terms of both expertise and capital resource, there is a strong demand among our customers for enterprises that are capable of delivering cost-efficient and quality solutions for a broad range of fruits. By engaging us, customers can benefit from our expertise, as well as management and capital resources, without significant capital investment in carrying out such business themselves. This allows them to focus on developing their core competitiveness.

In addition, our collaboration with more suppliers in the places of origin allows us to consistently and efficiently provide high-quality fresh fruits to customers. During the Track Record Period, our stable supply of quality fruit to customers demonstrated our capabilities and earned us an excellent reputation in the industry. Furthermore, we offer value-added services to customers, ranging from delivery and sorting to category planning and product offerings, which has bolstered our reputation and customer loyalty. Also, when we enter into a new market, we typically recruit additional salesmen to facilitate us in exploring regional markets. We typically select people who have strong local knowledge and resources and ample sales experience, and encourage them with an incentive mechanism. These salesmen facilitate our penetration into local markets and acquire market shares enabling us to acquire more customers. The downstream expansion of our distribution network has increased our procurement volume in the upstream places of origin, reinforcing our purchasing power to procure fruit at favorable terms, and thereby decreasing our costs and allowing us to provide fruit at a more competitive price to customers. This forms a virtuous circle where we benefit from continued growth in market share and profitability. Furthermore, we have been continually recruiting new talents to support expansion in upstream procurement and downstream distribution. Our procurement team grew from 32 as of December 31, 2017 to 348 as of May 31, 2022, and our sales team grew from 154 as of December 31, 2017 to 1,335 as of May 31, 2022.

Furthermore, leveraging our extensive sales and distribution network, we are able to supply quality fruit products to customers across China based on specified requirements of quality, quantity and other standards. During the Track Record Period, our sales branch increased from 16 covering 186 cities as of December 31, 2019 to 19 covering 300 cities as of May 31, 2022. We started to establish sorting centers in 2018 to separate a load of fruits into different scales and pack them into small-packet products of different specifications that are ready-to-sell upon request, which greatly benefit consumers. Please also see “— Our Supply Chain Management — Our Supply Chain Infrastructure Network — Sorting centers.” The number of sorting centers increased from one as of December 31, 2018 to 60 as of May 31, 2022. This further increased our market position and contributed to our past development.

BUSINESS

- **Our commitment to continue improving implementation of advanced technology resulting in optimized operating efficiency and great growth potential.**

During the Track Record Period, we have been investing in developing and implementing advanced technologies and useful know-hows in terms of agriculture, fruit processing, and, in particular, supply chain management. Achievements in these fields not only allow us to significantly improve operating efficiency, but also bring high transparency to our management and customers assisting their overall management on inventory and marketing.

This further allows us to fully enjoy economy of scale. During the Track Record Period, while we experienced significant increase in revenue and expansion in business scale in terms of processing and sorting capacities, sales network and product portfolio, we did not record significant expense of selling and distribution expenses and administration expenses.

RESEARCH AND DEVELOPMENT

Our research development efforts primarily focus on fruit quality improvement and supply chain management.

- **Fruit preservation techniques:** We have developed a comprehensive set of techniques across fruit categories based on their attributes. For instance, to maintain freshness, we adjust temperature based on ripeness and attributes for various fruit during transit and in the warehouses. We also develop and implement strict sterilization techniques to further lower the spoilage rate and extend the shelf life. For example, we employ specialized preservation technology to maintain the inherent color and natural stretch of the longan peel. By placing longan in holed boxes under airtight environment, we apply the physical method of fumigation for disinfection under specified doses in accordance of fumigation time and quantity. Within the fumigation process, the smoke is circulated with natural spread to the boxes so as to ensure that the smoke evenly covers the skin of the longan in the specified time. By resting for a specific time post-fumigation, our longan completes sterilization with its shelf-life enhanced while original color at harvest well-maintained.

BUSINESS

- **Fruit ripening techniques:** We have developed ripening techniques and know-how for different fruits leveraging our in-depth industry experience. Our employees follow a clear index and guidance to make accurate judgements on the status of relevant fruit based on their color, measurement and scent, according to which exact fruit preservation techniques are implemented to ensure they arrive at the market with optimal conditions. Taking durian for example, we determine the best ripeness level and then adjust the temperature and ripening time during the transit. The following photo illustrates our standardized durian ripening scale based on color.



- **Digitalized Supply Chain Management System:** As of May 31, 2022, we had a dedicated team of 63 staff focusing on IT development. With accumulated on-the-ground experiences, we rolled out a proprietary *HJ Star Bridge* (洪九星橋) system that is capable of effectively managing the entire supply chain, responding quickly to emergencies, and improving the overall operational efficiency. Please also see “— Our HJ Star Bridge System.”

INVENTORY MANAGEMENT

Our inventory is mainly comprised of the fresh fruit we have procured. Due to the perishable nature and short shelf life of fresh fruits, we generally sell fruits within one month and adopt a physical “first-in-first-out” policy to ensure the freshness. See “Financial information — Net Current Assets/Liabilities — Inventories.” Our *HJ Star Bridge* (洪九星橋) system guides us throughout procurement and increases the accuracy of pre-ordering by analyzing order information, transportation resources, upstream supply and market demands. It further benefits our inventory management by devising an efficient logistics route that ensures fruit arrives at the appropriate time and place to meet peak market demand. We could distribute fruits directly to customers upon arrival, minimizing the risk associated with pre-ordering, and further utilize our sophisticated inventory management. In particular, this system factors in order information and transportation resources system information to perform stock checks and reconciliations on a daily basis for fruit products in transit or at our warehouses. We have also set rigorous technical criteria as to temperature and humidity for the warehousing of each type of fruit.

SALES AND MARKETING

Marketing and Promotion Initiatives

As of May 31, 2022, we had a dedicated team of 228 marketing employees. In 2019, 2020 and 2021 and the five months ended May 31, 2022, our selling and distribution expenses amounted to RMB46.3 million, RMB92.7 million, RMB183.8 million and RMB83.9 million, respectively, accounting for 2.2%, 1.6%, 1.8% and 1.5% of our total revenue, respectively. Our customer base expanded during the Track Record Period. In expanding our customer base, we typically recruit dedicated marketing employees with extensive experience and a comprehensive understanding of the fruit industry. Our marketing employees follow the national and local fruit consumption trends closely, collect information, and actively solicit new customers once they identify potential demand. Through our demonstrated track record of providing quality fruit, we have obtained trust from existing business relationship, which would refer new customers to us. Meanwhile, many customers are attracted to the Company and pursue collaboration due to our good reputation in the fruit industry with a stable supply of high-quality fruit.

We believe that the freshness and delicacy of our fruit products speak for themselves. The word-of-mouth recognition of our high-quality fruit products among the public serves our marketing in a more cost-effective way. As a result, we strategically implement our brand marketing and sales strategy around this value to provide brand recognition mainly through enhancing our fruit product quality.


We also promote our products through various online and offline marketing efforts. We advertise our products and support our brand image through social media. We use our WeChat official account, *Hongjiu Taihaochi* (洪九太好吃), to release appealing content and introduce in-season fruit products.

Additionally, we organize promotional activities at supermarkets for customers to become familiar with our products and brands. We typically set up in-store displays together with theme-based and promotional activities. In addition, we also provide advice to our supermarket customers, covering such details as hygiene conditions, product packaging and display, shelf stacking and shelf life, as well as in-store storage requirements. Our efforts to promote products and brands have been successful in enhancing market share and promoting brand awareness. The following pictures exhibit our recent promotional activities.



Branding Strategy

Catering to market trends and consumer preferences for freshness and delicacy, we keep launching newly branded fruit products. We had 188 registered trademarks as brand names for our fruit products in China as of May 31, 2022, and are in the process of registering 33 additional brand names. We only apply such proprietary brand names to high-quality fruit products that are sourced from unique places of origin. As such, we expect our branding and marketing efforts to further facilitate us to achieve sustainable development.

During the Track Record Period, we have built customer awareness through attaching substantially all of our branded fruits with *Hongjiu Fruit* (洪九果品)  brand. We also strategically create brands with catchy names for select fruit products based on fruit quality and categories, in order to distinguish ourselves and enhance brand recognition. We price different brands catering to diversified demands from customers with different purchase capacity amidst the increasing trend of consumption upgrading in China. In 2021, fruits sold under our own brands accounted for 73.3% of our total revenue, which greatly exceeded the average rate of 34% in fruit distribution market for the same year.

BUSINESS

Pricing

The selling prices of our fruit products are determined on a cost-plus basis with reference to (i) cost of sales, mainly representing costs of fruits, logistics costs, manufacturing costs, labor costs and (ii) a mark-up rate for different fruit products. We generally set a higher mark-up rate for our branded fruit products than for our unbranded fruits. During the Track Record Period, the mark-up rate for our branded fruit products amounted to gross profit margins of 19.7%, 17.5%, 16.7% and 21.8%, respectively, while the mark-up rate for our unbranded fruit products was 16.3%, 13.6%, 13.0% and 13.9%, respectively. This is generally in line with the industry average, according to CIC. We provide different categories and quality of fruits upon request across channels, but we price our fruit products similarly through all sales and distribution channels to facilitate the standardization and stability of our distribution system. We generally determine our mark-up rate by taking into account the following factors:

- prevailing market prices for different fruit products;
- supply and demand mechanism in our target markets;
- consumer preference;
- historical sales;
- competition, the pricing of our competitors and comparable products in the market; and
- brands and quality of relevant fruit products.

Leveraging our standardized fruit quality grading system, we are also able to differentiate pricing based on different quality levels. Such pricing strategy allows us to maximize the value of each type of fruit, achieve good value-for-money, and cater to the needs of customers with different purchasing power. In addition, due to the nature of fresh fruit, prices are generally subject to frequent fluctuations resulting from quality deterioration, seasonal availability and other factors. As such, our sales department conducts dynamic price reviews on a regular basis and adjusts our prices accordingly.

SEASONALITY

With a product portfolio covering 49 fruit categories as of the Latest Practicable Date, we effectively mitigate the risks associated with selling any single type of fruit and are not subject to material fluctuations in seasonality. We sourced fruits dynamically from over 100 places of origin in China, Thailand and Vietnam to mitigate the negative impacts of seasonality. Although fruit is seasonal by nature, and some fruit is only available for limited periods in China, we are able to supply certain fruit all year round through our end-to-end supply chain, through strategies of complementary production periods and complementary production area. When a fruit is off-season, we can supplement it with another in-season fruit. For example, in

BUSINESS

Thailand, the peak production period for durian and mangosteen is March to October, while the peak production period for longan is August to May in the next year; thus, longan could be used as a supplement to durian and mangosteen. In addition, our dynamic procurement strategy enables us to procure in-season fruit from various regions. For instance, the peak period for durian and mangosteen in east Thailand falls from March to June, while the peak period in south falls from June to October, which perfectly complement each other, realizing a stable year-round supply of durian. As a result, we do not expect to experience significant fluctuations due to the seasonality of any particular fruit. See “Risk Factors — Risks Relating to Our Business and Industry — Our results of operations are subject to seasonal fluctuations.”

INTRA-GROUP TRANSACTIONS

During the Track Record Period, we carried out our operations mainly in China, Thailand and Vietnam, and we had conducted business with suppliers in the foregoing jurisdictions. As we engage in cross-border business, we rely on the internal export and import of our fruit products among our subsidiaries in China, Thailand and Vietnam.

The Organization for Economic Co-operation and Development (the “**OECD**”), an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the “**OECD Transfer Pricing Guidelines**”). According to the OECD Transfer Pricing Guidelines, our intra-group transactions should be at arm’s length basis to avoid distorted taxable income in different jurisdictions. The arm’s length principle is respected by all tax jurisdictions of our subsidiaries, including Mainland China, Thailand and Vietnam.

In order to ensure compliance with the relevant transfer pricing regulations, we have engaged independent transfer pricing consultants in Thailand and Vietnam, respectively, to review our transfer pricing arrangements so as to evaluate compliance with the relevant transfer pricing regulations during the Track Record Period. Each consultant is an affiliate of a reputable international accounting firm, respectively, and holds qualification and expertise in carrying out transfer pricing assessment. The work scope of the transfer pricing consultants includes the review of the functional profiles and relevant intra-group transactions, analysis of the most appropriate transfer pricing methodology to be applied to the intra-group transactions, performing transfer pricing risk assessment to test the overall profitability as well as compliance with the transfer pricing regulations.

In 2019, 2020 and 2021 and the five months ended May 31, 2022, the aggregate amount of intra-group transactions were RMB667.5 million, RMB2,292.0 million, RMB3,309.9 million and RMB1,502.4 million, respectively. In particular, the aggregate amount of cross-border intra-group transactions were RMB655.2 million, RMB2,289.3 million, RMB3,307.3 million and RMB1,501.6 million, respectively, during the same period. Benchmarking studies were performed to evaluate whether the intra-group transactions were conducted at arm’s length basis among the intra-group companies during the Track Record

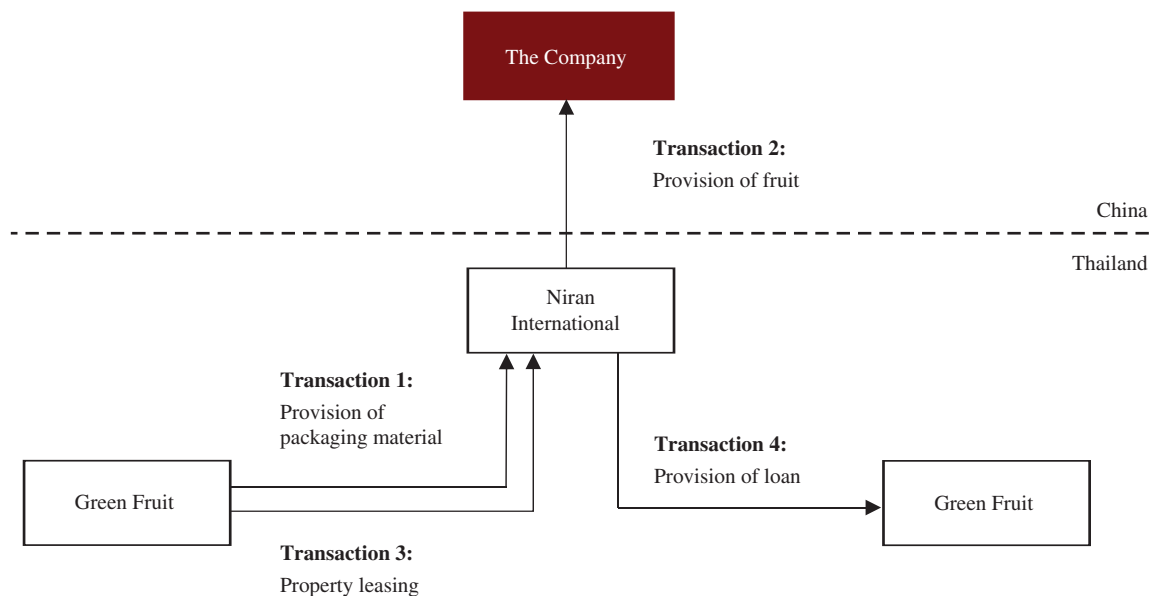
BUSINESS

Period. The table below sets forth a breakdown of intra-group transactions by transaction types, each expressed as an absolute amount and as a percentage of the aggregate amount of intra-group transactions, for the periods indicated.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Thailand's										
Intra-group Transactions										
Provision of Packaging Material	9,358	1.4	—	—	—	—	—	—	—	—
Provision of Fruit	517,986	77.7	1,975,927	86.2	2,781,070	84.0	1,361,713	79.5	1,352,330	90.1
Property Leasing	757	0.1	1,928	0.1	2,030	0.1	686	—	625	—
Provision of Loan	2,248	0.3	484	—	442	—	192	—	173	—
Subtotal	530,349	79.5	1,978,339	86.3	2,783,542	84.1	1,362,591	79.5	1,353,128	90.1
Vietnam's										
Intra-group Transactions										
Provision of Fruit	137,165	20.5	313,624	13.7	526,319	15.9	351,031	20.5	149,229	9.9
Total	667,514	100.0	2,291,963	100.0	3,309,861	100.0	1,713,622	100.0	1,502,357	100.0

Intra-group Transactions in Thailand

The diagram below illustrates the major business flow between Thailand subsidiaries and us during the Track Record Period:



BUSINESS

As illustrated above, the following transactions were considered as intra-group transactions relating to our transfer pricing arrangements during the Track Record Period:

- provision of packaging material by Green Fruit to Niran International (“**Transaction 1**”): Niran International purchased packaging material from Green Fruit and independent third-party suppliers in 2019;
- provision of fruit by Niran International to the Company (“**Transaction 2**”): Niran International sold fruit products to us during the Track Record Period. We adopted the same pricing policy and the purchase price was determined based on a cost-plus basis with reference to the average fruit price announced by the Ministry of Commerce in Thailand;
- property leasing from Green Fruit to Niran International (“**Transaction 3**”): Niran International leased properties from Green Fruit during the Track Record Period, which were primarily used as offices; and
- provision of loan (“**Transaction 4**”): Niran International granted interest-bearing loans to Green Fruit during the Track Record Period.

In relation to Transaction 1, Transaction 2 and Transaction 3, our Thailand transfer pricing consultant (“**Thailand Transfer Pricing Consultant**”) selected Transactional Net Margin Method (“**TNMM**”) as the assessment method after performing a functional risk analysis taking into account applicable laws and regulations and precedents. Operating margin (“**OM**”) was selected as the profit level indicator (“**PLI**”) to test the profitability of Niran International and comparable companies under review. The OM is derived by dividing operating profit with operating revenue, and operating profit is calculated by subtracting cost of goods sold and operating expenses from operating revenue. The aggregate amount of operating expenses takes into account the selling and general administration expenses.

Under TNMM, to determine whether Niran International is in compliance with Thailand’s transfer pricing regulations, the Thailand Transfer Pricing Consultant compares Niran International’s OM against those of the comparable companies that performed generally similar functions and incurred similar risks. In general, a company with a higher OM than the comparable companies indicates that it records a comparatively larger amount of profit in the jurisdiction under review, and that it is more likely to carry out business with favourable terms or at arm’s length. As a result, such a company is less likely to be subject to risks associated with transfer pricing.

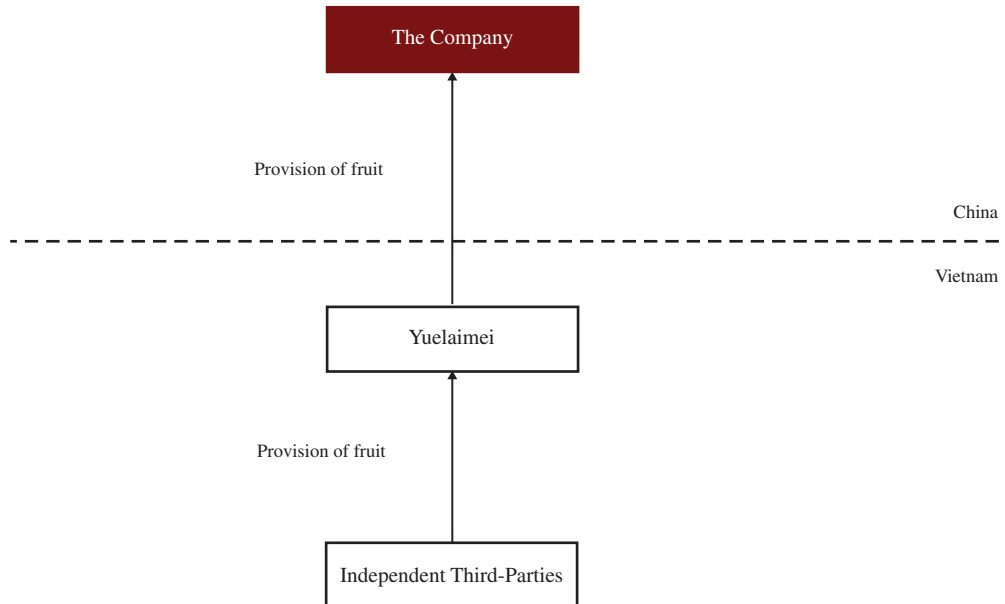
BUSINESS

According to Section 71 bis of Thai Revenue Code and Notification of Director-General of the Thai Revenue Department regarding Corporate Income Tax No. 400 (“**DGN-CIT No. 400**”), relevant Thai authorities generally have the right to adjust the taxable profit of a company with a PLI below 25% of its comparable companies after performing transfer pricing analysis. In 2019, 2020 and 2021, the OM of Niran International was 2.20%, 1.58% and 2.71%, respectively, according to the Thailand Transfer Pricing Consultant. These are higher than the OM results of 25% of the comparable companies for relevant years, indicating that Niran International achieved a comparatively higher taxable amount in Thailand for relevant years compared with the majority of the comparable companies. For 2021 and the five months ended May 31, 2022, because the audited financial statements of comparable companies are not publicly available, we do not have their OMs in 2021 and the five months ended May 31, 2022 to provide a reasonable transfer pricing analysis on a year by year basis. Instead, the Thailand Transfer Pricing Consultant compared the OM of Niran International in 2021 against the three-year weighted average OM of comparable companies from 2018 to 2020 and found it was higher than 25% of comparable companies. For the five months ended May 31, 2022, given that Thai authorities conduct review on a year by year basis according to the Thai transfer pricing rules, current available financial data of the five months ended May 31, 2022 does not suffice to provide a reasonable transfer pricing analysis on a year by year basis. Therefore, a review of implementation of transfer pricing policy instead of reviewing financial result was performed by the Thailand Transfer Pricing Consultant for the five months ended May 31, 2022. Based on the work performed by the Thailand Transfer Pricing Consultant, in the five months ended May 31, 2022, the transfer pricing methodology implemented by us are indifferent to that in 2019, 2020 and 2021, which is considered consistent with function and risks profile of Niran International. In addition, we monitored and have taken appropriate measures to ensure our compliance with relevant transfer pricing laws and regulations in jurisdictions where we operate. Based on the foregoing, our Thailand Transfer Pricing Consultant is of the view that, the transfer pricing arrangements under Transaction 1, Transaction 2 and Transaction 3 were consistent with the arm’s length principle and were in compliance with the Thailand’s transfer pricing regulations during the Track Record Period.

In relation to Transaction 4, our Thailand Transfer Pricing Consultant is of the view that, the interest rates applied for the loan transaction during the Track Record Period were not less than the saving account interest rate quoted by commercial banks during the same period, and the interest income which Niran International received from Green Fruit was insignificant since it accounted for less than 1% of the total revenue of Niran International during the Track Record Period. As such, transaction 4 falls below the materiality for audit purposes and would not be challenged under Thailand’s transfer pricing regulations, according to Thailand Transfer Pricing Consultant.

Intra-group Transactions in Vietnam

The diagram below illustrates the major business flow between the Vietnam subsidiary and us during the Track Record Period:



As illustrated above, during the Track Record Period, we procured fruits from Yuelaimei and sold it to customers in China, which was considered as intra-group transactions relating to transfer pricing arrangements. Our Vietnam transfer pricing consultant (“**Vietnam Transfer Pricing Consultant**”), after performing a functional risk analysis, selected the comparable net profit method (“**CNPM**”) to assess transfer pricing compliance status, where the mark-up on total costs (“**MOTC**”) was selected as the PLI to test the profitability of Yuelaimei and comparable companies under review. MOTC is derived by dividing profit before taxation with total costs, and the aggregate amount of total costs shall include the cost of goods sold, as well as selling and general administration expenses. The CNPM is a type of profit-based method prescribed by Vietnam’s transfer pricing regulations for performing transfer pricing analysis. Similar to TNMM, CNPM also analyses objective metrics of profitability when determining whether an intra-group transaction is performed at arm’s length. As advised by our transfer pricing consultants in Thailand and Vietnam, CNPM and TNMM are essentially identical under distinct names due to different jurisdictional practices.

Under CNPM, to determine whether Yuelaimei is in compliance with local transfer pricing laws, the Vietnam Transfer Pricing Consultant compares the MOTC of Yuelaimei against those of the comparable companies that performed generally similar functions and incurred similar risks. In general, a company with a higher MOTC than the comparable companies indicates that it records a comparatively larger amount of profit in the jurisdiction under review, and that it is more likely to carry out business with favourable terms or at arm’s length. As a result, such a company is less likely to be subject to risks associated with transfer pricing.

BUSINESS

In evaluating Yuelaimei's case, the Vietnam Transfer Pricing Consultant selected a number of comparable companies to calculate the MOTC of each of them in relevant years. According to the Vietnam Transfer Pricing Consultant, the MOTC of Yuelaimei was 4.65%, 2.67% and 3.22% during the Track Record Period, respectively. According to the Vietnam transfer pricing regulations, if a company's PLI below 25% of its comparable companies before 2020, and below 35% of its comparable companies since 2020, relevant Vietnamese authorities have the right to adjust the taxable profit of the company. The MOTC ratio of Yuelaimei was higher than the MOTC results of 25% of the comparable companies in 2019, and the MOTC results of 35% of the comparable companies in 2020 and 2021, respectively, indicating that Yuelaimei achieved a comparatively higher taxable amount in Vietnam for relevant years compared with the majority of the comparable companies. As a result, according to the Vietnam Transfer Pricing Consultant, the transfer pricing arrangements of Yuelaimei are not disadvantageous from Vietnam's transfer pricing perspective, and are deemed to be in compliance with Vietnam's transfer pricing regulations. In the meantime, we believe that this arrangement allows us to maintain sufficient cash flow in Vietnam in order to place orders in advance and secure the production yield of orchards, ensuring a long-term and stable supply of delicious fruits. For the five months ended May 31, 2022, given that Vietnam authorities conduct review on a year by year basis according to the Vietnam transfer pricing rules, current available financial data of the five months ended May 31, 2022 does not suffice to provide a reasonable transfer pricing analysis on a year by year basis. Therefore, a review of implementation of transfer pricing policy instead of reviewing financial result was performed by the Vietnam Transfer Pricing Consultant for the five months ended May 31, 2022. Based on the work performed by the Vietnam Transfer Pricing Consultant, in the five months ended May 31, 2022, the transfer pricing methodology implemented by us are indifferent to that in 2019, 2020 and 2021, which is considered consistent with function and risks profile of Yuelaimei and was reasonable. In addition, similar to our practices in Thailand, we monitored and have taken appropriate measures to ensure our compliance with relevant transfer pricing laws and regulations in Vietnam.

Internal Control Measures of Intra-group Transactions

We have adopted the following measures to ensure on-going compliance with relevant transfer pricing laws and regulations in China, Thailand and Vietnam:

- continue to engage transfer pricing consultants in relevant jurisdictions to evaluate and review the latest applicable transfer pricing laws and regulations and identify the potential impacts and exposures on our transfer pricing arrangements;
- the benchmarking analysis will be updated periodically (e.g. annually) by our transfer pricing consultants to reflect the corresponding market conditions;
- transfer pricing documentation will be prepared annually by us for compliance purpose; and
- we will communicate regularly with the relevant local tax bureaus based on our business operations, and proactively identify risks that may affect our transfer pricing arrangements.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any inquiry, audit, investigation or challenge by any relevant tax authorities in China, Thailand and Vietnam in relation to our intra-group transactions.

OUR CUSTOMERS AND SUPPLIERS

Customers

During the Track Record Period, our top five customers were terminal wholesalers, emerging retailers and supermarket customers. The aggregate revenue generated from our top five customers amounted to RMB494.1 million, RMB847.1 million, RMB1,242.0 million and RMB615.2 million during the Track Record Period, representing 23.7%, 14.7%, 12.2% and 10.8%, respectively, of our total revenue for the respective periods. In 2019, 2020 and 2021 and the five months ended May 31, 2022, revenue generated from our largest customer accounted for 9.2%, 3.9%, 3.8% and 2.9%, respectively, of our total revenue for the respective periods. We have maintained long-term and stable relationships with our customers.

All of our five largest customers during the Track Record Period were Independent Third Parties, except for Alibaba China and its affiliates. Alibaba China has become our shareholder in 2020, while Alibaba China and its affiliates were recognized as one of our five largest customers in 2019, 2020 and 2021. Save as disclosed above, to the best knowledge of our Directors, none of our five largest customers has any past or present business, employment, family, trust or similar relationships with our Company or its subsidiaries, our Directors or senior management, their respective associate or any Shareholders of our Company holding more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering, during the Track Record Period.

During the Track Record Period, we did not have any financing or funds relationship with any of our five largest customers except that we granted credit terms to them, and we had a factoring arrangement with an affiliated financial institution of Customer E. To the best knowledge of the Company, some supermarket customers may carry out financial operations considering business development needs after obtaining relevant licenses, in order to strengthen their business relationships with suppliers through providing supply-chain financing and enabling them to obtain better fund availability. On the other hand, we believe that entering into such factoring arrangements has the following benefits: (i) it relieves our pressure to recover the outstanding trade receivables and reduces our credit risk in relation to the recoverability of these trade receivables; and (ii) it improves our liquidity by increasing the sufficiency of our cash flows. We entered into this factoring arrangement in April 2021 with recourse in respect of the trade receivables from Customer E. The aggregate amount of trade receivables factored under this arrangement was RMB40.0 million, which was repaid in June 2021. Subsequent to June 30, 2021 and up to March 31, 2022, our total trade receivables with Customer E that are factored under this arrangement amounted to nil. Our sales with Customer E are not contingent on this factoring arrangement. The financial institution is an Independent Third Party with the relevant license and is not a customer or supplier to the Company.

BUSINESS

The following tables set forth certain information for our five largest customers during the Track Record Period.

For the year ended December 31, 2019

Customer	Type	Background	Location	Products sold	Revenue	% of our total revenue	Credit terms	Year of commencement of business relationship with us
					RMB'000			
Customer A	Supermarket customer	The customer primarily engages in the retail business in China with securities traded on the Shenzhen Stock Exchange. It operates a chain of hypermarkets and a leading e-commerce platform in China. With over 30 years of experience, it provides a variety of products to consumers in China, including fruits, home appliances, and other necessities.	PRC	Fruit	191,199	9.2%	7-15 days	2018
Customer B	Terminal wholesaler	The customer primarily engages in the wholesale and trading of fruit in China with over 20 years of experience. The customer primarily sells products to local supermarkets and department stores in East China.	PRC	Fruit	120,039	5.8%	30-120 days	2017
Customer C	Emerging retailer	The customer operates a chain of stores and a leading e-commerce platform in China. It provides food, fruits, and other commodities to consumers in China's top tier cities. It is owned by a famous entity with over 20 years of experience, and its securities are traded on the New York Stock Exchange and the Hong Kong Stock Exchange.	PRC	Fruit	73,722	3.5%	15 days	2018

BUSINESS

Customer	Type	Background	Location	Products sold	Revenue	% of our total revenue	Credit terms	Year of commencement of business relationship with us
RMB'000								
Customer D	Terminal wholesaler	The customer primarily engages in the wholesale and trading of fruit in Xiamen City. With approximately ten years of experience, it primarily sells products to supermarkets in East and South Central China.	PRC	Fruit	54,918	2.6%	30-60 days	2017
Customer E	Supermarket customer	The customer primarily engages in the retail business in China with securities traded on the Shanghai Stock Exchange. With over 20 years of experience, it offers various products, including foods and fruits, home appliances and other commodities, primarily through offline supermarkets, covering over 500 cities in over 20 provinces.	PRC	Fruit	54,236	2.6%	8 days	2016

For the year ended December 31, 2020

Customer	Type	Background	Location	Products sold	Revenue	% of our total revenue	Credit terms	Year of commencement of business relationship with us
RMB'000								
Customer C	Emerging retailer	The customer operates a chain of stores and a leading e-commerce platform in China. It provides food, fruits, and other commodities to consumers in China's top tier cities. It is owned by a famous entity with over 20 years of experience, and its securities are traded on the New York Stock Exchange and the Hong Kong Stock Exchange.	PRC	Fruit	226,188	3.9%	15 days	2018

BUSINESS

Customer	Type	Background	Location	Products sold	Revenue	% of our total revenue	Credit terms	Year of commencement of business relationship with us
					RMB'000			
Customer F	Terminal wholesaler	The customer has primarily engaged in the wholesale and trading of agricultural products in China for over 20 years. It operates department stores as well as e-commerce platforms, primarily in Guangxi Province.	PRC	Fruit	204,368	3.5%	30-135 days	2020
Customer A	Supermarket customer	The customer primarily engages in the retail business in China with securities traded on the Shenzhen Stock Exchange. With over 30 years of experience, it operates a chain of hypermarkets and a leading e-commerce platform in China. It provides a variety of products to consumers in China, including fruits, home appliances, and other necessities.	PRC	Fruit	188,152	3.3%	30 days	2018
Customer G	Terminal wholesaler	The customer primarily engages in the wholesale and trading of fruit products in Northeast China, including Qingdao, Beijing and Tianjin. With approximately 15 years of experience, it primarily sells products to local supermarkets and wholesale fruit markets.	PRC	Fruit	118,395	2.1%	90 days	2019
Customer H	Terminal wholesaler	The customer primarily engages in the wholesale and trading of fruit products in China, leveraging its cold-chain capacities. With over ten years of experience, it primarily sells products to consumers and supermarkets in East and South Central China.	PRC	Fruit	110,007	1.9%	50-100 days	2020

BUSINESS

For the year ended December 31, 2021

Customer	Type	Background	Location	Products sold	Revenue	% of our total revenue	Credit terms	Year of commencement of business relationship with us
					RMB'000			
Customer C	Emerging retailer	The customer operates a chain of stores and a leading e-commerce platform in China. It provides food, fruits, and other commodities to consumers in China's top tier cities. It is owned by a famous entity with over 20 years of experience, and its securities are traded on the New York Stock Exchange and the Hong Kong Stock Exchange.	PRC	Fruit	388,767	3.8%	15 days	2018
Customer I	Emerging retailer	The customer operates an e-commerce platform focused on C2M group shopping, which connects millions of agricultural producers with consumers across China. Launched in 2015, it is listed on the Nasdaq Global Market.	PRC	Fruit	245,252	2.4%	N/A ⁽¹⁾	2020
Customer E	Supermarket customer	The customer primarily engages in the retail business in China with securities traded on the Shanghai Stock Exchange. It offers various products, including foods and fruits, home appliances and other commodities, primarily through offline supermarkets, covering over 500 cities in over 20 provinces.	PRC	Fruit	205,816	2.0%	N/A ⁽¹⁾	2016
Customer J	Emerging retailer	The customer operates a one-stop e-commerce platform for services, including food, transportation, travel, shopping and entertainment. Launched in 2010, its securities are traded on the Hong Kong Stock Exchange.	PRC	Fruit	201,579	2.0%	N/A ⁽¹⁾	2020

BUSINESS

Customer	Type	Background	Location	Products sold	Revenue	% of our total revenue	Credit terms	Year of commencement of business relationship with us
					RMB'000			
Customer F	Terminal wholesaler	The customer has primarily engaged in the wholesale and trading of agricultural products in China for over 20 years. It operates department stores as well as e-commerce platforms, primarily in Guangxi Province.	PRC	Fruit	200,569	2.0%	45-135 days	2020

Note:

(1) Credit term is not clarified in contract.

For the five months ended May 31, 2022

Customer	Type	Background	Location	Products sold	Revenue	% of our total revenue	Credit terms	Year of commencement of business relationship with us
					RMB'000			
Customer C	Emerging retailer	The customer operates a chain of stores and a leading e-commerce platform in China. It provides food, fruits, and other commodities to consumers in China's top tier cities. It is owned by a famous entity with over 20 years of experience, and its securities are traded on the New York Stock Exchange and the Hong Kong Stock Exchange.	PRC	Fruit	164,761	2.9%	15 days	2018
Customer I	Emerging retailer	The customer operates an e-commerce platform focused on C2M group shopping, which connects millions of agricultural producers with consumers across China. Launched in 2015, it is listed on the Nasdaq Global Market.	PRC	Fruit	128,846	2.3%	N/A ⁽¹⁾	2020

BUSINESS

Customer	Type	Background	Location	Products sold	Revenue	% of our total revenue	Credit terms	Year of commencement of business relationship with us
					RMB*000			
Customer J	Emerging retailer	The customer operates a one-stop e-commerce platform for services, including food, transportation, travel, shopping and entertainment. Launched in 2010, its securities of which are traded on the Hong Kong Stock Exchange.	PRC	Fruit	115,396	2.0%	N/A ⁽¹⁾	2020
Customer E	Supermarket customer	The customer primarily engages in the retail business in China with securities traded on the Shanghai Stock Exchange. It offers various products, including foods and fruits, home appliances and other commodities, primarily through offline supermarkets, covering over 500 cities in over 20 provinces.	PRC	Fruit	104,140	1.8%	N/A ⁽¹⁾	2016
Customer K	Terminal wholesaler	The customer primarily engages in the wholesale and trading of fruit products in China, cooperating with a wide range of e-commerce platforms and retailing stores. Its controlling shareholder has over ten years of experience in the fresh fruit industry. It primarily operates in Guangdong Province and sells products to consumers and supermarkets in East and South Central China.	PRC	Fruit	102,059	1.8%	60-90 days	2017

Note:

(1) Credit term is not clarified in contract.

BUSINESS

Suppliers

During the Track Record Period, our major suppliers were fruit suppliers and logistics service providers. The aggregate purchases from our top five suppliers amounted to RMB733.2 million, RMB853.1 million, RMB905.3 million and RMB620.4 million during the Track Record Period, representing 44.0%, 19.3%, 11.0% and 14.0%, respectively, of our total purchases for the respective periods. In 2019, 2020 and 2021 and the five months ended May 31, 2022, purchases from our largest supplier accounted for 17.2%, 5.5%, 2.8% and 3.9%, respectively, of our total purchases for the respective periods.

To the best knowledge of our Directors, all of our five largest suppliers were Independent Third Parties, and none of them has any past or present business, employment, family, trust, financing, funds or similar relationships with our Company or its subsidiaries, our Directors or senior management, their respective associate or any Shareholders of our Company holding more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering, during the Track Record Period. None of our major suppliers were our major customers during the same periods.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material delay or shortage in the supply of any fruit products that interrupted our business operations.

The following tables set forth certain information for our five largest suppliers during the Track Record Period.

For the year ended December 31, 2019

Supplier	Background	Location	Products/ services/ procured	Purchase amount	% of our total purchase	Credit terms	Year of commencement of business relationship with us
				RMB'000			Years
Supplier A	The supplier provides cross-border logistics services for fresh products such as fruit, meat, and seafood. Additionally, it offers customs declaration services. It is one of the leading service providers in logistics and customs declaration in South and East China, with approximately 20 years of experiences. It has a registered capital of RMB100.0 million.	PRC	Fruit, including cherry, red grapes, dragon fruit, etc; customs declaration	286,593	17.2%	7-35 days/ prepayment	2016

BUSINESS

Supplier	Background	Location	Products/ services procured	Purchase amount RMB'000	% of our total purchase	Credit terms	Year of commencement of business relationship with us Years
Supplier B	The supplier is a China-based trading company, providing customs declaration and logistics service, with nearly eight years of experience. Established in 2014, it has a registered capital of RMB5.0 million.	PRC	Fruit, including cherry, durian, etc; customs declaration service	184,646	11.1%	7-60 days/ prepayment	2017
Supplier C	The supplier operates a retail business in China with a focus on supply chain management, primarily offering consumers imported fruits, wild-harvested seafood, vegetables, eggs, as well as nutritious dry goods. It was established in 2014 and is listed on the Nasdaq Global Market. It has a registered capital of RMB10.0 million. The supplier maintains multiple distribution channels, including direct sales and sales to other fruit distributors, which is a common practice for fresh fruit distributors to manage inventory and minimize loss rates.	PRC	Fruit, including cherry, red grapes, durian, etc	145,182	8.7%	Prepayment	2017
Supplier D	The supplier primarily engages in the wholesale and trading of fruit in Sichuan Province with years of experience. It operates an e-commerce platform and sells fruit primarily through collaboration with local orchards. The supplier sells both directly to customers on its e-commerce platform and to other fruit distributors, which is a common practice for fresh fruit distributors to manage inventory and minimize loss rates. Established in 2014, it has a registered capital of RMB10.0 million.	PRC	Fruit, including mango, grapes, kiwi, etc	59,668	3.6%	Prepayment	2018

BUSINESS

Supplier	Background	Location	Products/ services procured	Purchase amount	% of our total purchase	Credit terms	Year of commencement of business relationship with us
				RMB'000			Years
Supplier E	The supplier was established in January 2019 and is based in Sichuan Province. Although the supplier does not have a long track record, its controlling shareholders have extensive experience in the fruit industry and are highly regarded in the local fruit market. It primarily provides tangerine, apple, pomegranates, kiwis, and grapes. It has a registered capital of RMB20.0 million.	PRC	Fruit, including tangerine, apple, pomegranate, etc	57,092	3.4%	Prepayment	2019

For the year ended December 31, 2020

Supplier	Background	Location	Products/ services procured	Purchase amount	% of our total purchase	Credit terms	Year of commencement of business relationship with us
				RMB'000			Years
Supplier C	The supplier operates a retail business in China with a focus on supply chain management, primarily offering consumers imported fruits, wild-harvested seafood, vegetables, eggs, as well as nutritious dry goods. It was established in 2014 and is listed on the Nasdaq Global Market. It has a registered capital of RMB10.0 million. The supplier maintains multiple distribution channels, including direct sales and sales to other fruit distributors, which is a common practice for fresh fruit distributors to manage inventory and minimize loss rates.	PRC	Fruit, including cherry, red grapes, durian, etc	243,808	5.5%	Prepayment	2017

BUSINESS

Supplier	Background	Location	Products/ services procured	Purchase amount RMB'000	% of our total purchase	Credit terms	Year of commencement of business relationship with us Years
Supplier D	<p>The supplier primarily engages in the wholesale and trading of fruit in Sichuan Province with years of experience. It operates an e-commerce platform and sells fruit primarily through collaborating with local orchards. The supplier sells both directly to customers on its e-commerce platform and to other fruit distributors, which is a common practice for fresh fruit distributors to manage inventory and minimize loss rates. Established in 2014, it has a registered capital of RMB10.0 million.</p>	PRC	Fruit, including mango, grapes, kiwi, etc	168,876	3.8%	Prepayment	2018
Supplier E	<p>The supplier was established in January 2019 and is based in Sichuan Province. Although the supplier does not have a long track record, its controlling shareholders have extensive experience in the fruit industry and are highly regarded in the local fruit market. It primarily provides tangerine, apple, pomegranates, kiwis, and grapes. It has a registered capital of RMB20.0 million.</p>	PRC	Fruit, including pomegranate, tangerine, apple, etc	168,323	3.8%	Prepayment	2019

BUSINESS

Supplier	Background	Location	Products/ services procured	Purchase amount	% of our total purchase	Credit terms	Year of commencement of business relationship with us
				RMB'000			Years
Supplier A	The supplier provides cross-border logistics services for fresh products such as fruit, meat, and seafood. Additionally, it offers customs declaration services. It is one of the leading service providers in logistics and customs declaration in South and East China, with approximately 20 years of experiences. It has a registered capital of RMB100.0 million.	PRC	Fruit, including cherry, red grapes, dragon fruit, etc; customs declaration	162,917	3.7%	7-35 days/ prepayment	2016
Supplier F	The supplier was established in 2015 in Shandong Province. It primarily provides apples from Yantai, jujube from Xinjiang, and sweet potatoes. It has a registered capital of RMB5.0 million.	PRC	Apple	109,151	2.5%	Prepayment	2020

For the year ended December 31, 2021

Supplier	Principal business	Location	Products/ services procured	Purchase amount	% of our total purchase	Credit terms	Year of commencement of business relationship with us
				RMB'000			Years
Supplier E	The supplier was established in January 2019 and is based in Sichuan Province. It primarily provides tangerine, apple, pomegranates, kiwis, and grapes. Although the supplier does not have a long track record, its controlling shareholders have extensive experience in the fruit industry and are highly regarded in the local fruit market. It has a registered capital of RMB20.0 million.	PRC	Fruit, including tangerine, apple, pomegranate, etc	230,762	2.8%	Prepayment	2019

BUSINESS

Supplier	Principal business	Location	Products/ services procured	Purchase amount	% of our total purchase	Credit terms	Year of commencement of business relationship with us
				RMB'000			Years
Supplier B	The supplier is a China-based trading company, providing customs declaration and logistics service, with nearly eight years of experience. Established in 2014, it has a registered capital of RMB5.0 million.	PRC	Fruit, including cherry, durian, etc; customs declaration service	226,559	2.7%	30 days/ prepayment	2017
Supplier G	The supplier engages in the sales and processing of fruits and has years of experience in the fresh fruit industry. Although the supplier was established in 2020, its controlling shareholder has over ten-year of industry experience, and has operated as a sole proprietorship for years, with a good reputation in the local fruit market. It has a registered capital of RMB10.0 million.	PRC	Fruit, including tangerine, apple, etc	158,375	1.9%	Prepayment	2020
Supplier H	The supplier was established in 2017 in Thailand and has been engaged in the provision of durian since its inception. It has a registered capital of THB1.0 million.	Thailand	Durian	150,748	1.9%	N/A ⁽¹⁾	2020
Supplier I	The supplier was established in 2018 in Thailand and has been engaged in the provision of durian since its inception. It has a registered capital of THB1.0 million.	Thailand	Durian	138,811	1.7%	N/A ⁽¹⁾	2021

Note:

- (1) Credit term is not clarified in contract.

BUSINESS

For the five months ended May 31, 2022

Supplier	Principal business	Location	Products/ services procured	Purchase amount RMB'000	% of our total purchase	Credit terms	Year of commencement of business relationship with us Years
Supplier B	The supplier is a China-based trading company, providing customs declaration and logistics service, with nearly eight years of experience. Established in 2014, it has a registered capital of RMB5.0 million.	PRC	Fruit, including cherry, durian, etc; customs declaration service	170,833	3.9%	30 days/ prepayment	2017
Supplier E	The supplier was established in January 2019 and is based in Sichuan Province. It primarily provides tangerine, apple, pomegranates, kiwis, and grapes. Although the supplier does not have a long track record, its controlling shareholders have extensive experience in the fruit industry and are highly regarded in the local fruit market. It has a registered capital of RMB20.0 million.	PRC	Fruit, including tangerine, apple, pomegranate, etc	161,320	3.6%	Prepayment	2019
Supplier H	The supplier was established in 2017 in Thailand and has been engaged in the provision of durian since its inception. It has a registered capital of THB1.0 million.	Thailand	Durian	118,836	2.7%	N/A ⁽¹⁾	2021
Supplier G	The supplier engages in the sales and processing of fruits and has years of experience in the fresh fruit industry. Although the supplier was established in 2020, its controlling shareholder has over ten-year of industry experience, and has operated as a sole proprietorship for years, with a good reputation in the local fruit market. It has a registered capital of RMB10.0 million.	PRC	Fruit, including tangerine, apple, etc	98,689	2.2%	Prepayment	2020

BUSINESS

Supplier	Principal business	Location	Products/ services/ procured	Purchase amount	% of our total purchase	Credit terms	Year of commencement of business relationship with us
				RMB'000			Years
Supplier I	The supplier was established in 2018 in Thailand and has been engaged in the provision of durian since its inception. It has a registered capital of THB1.0 million.	Thailand	Durian	70,767	1.6%	N/A ⁽¹⁾	2021

Note:

(1) Credit term is not clarified in contract.

Procurement arrangements and policies

The quality of fresh fruits is largely determined by the quality of original cultivation. As such, identifying and retaining high quality suppliers is of significant importance to our business. During the Track Record Period, we have established a dynamic procurement strategy leveraging our strong supply chain management, thereby securing sources of supply with consistent quality and quantity.

We primarily procure fruits directly from their places of origin and prioritize direct sourcing from local orchards. We have invested in deepening our penetration in the places of origin for most of our core fruit products. As of May 31, 2022, we had a local team of nearly 400 employees who work closely with local orchards in Thailand and Vietnam. Our employees conduct market research to develop and select local suppliers and arrange for purchases subject to our detailed procurement requirements. Our employees also visit orchards in their places of origin regularly to communicate with growers on site. In addition, as a leading fruit distributor in Thailand and Vietnam with a large procurement volume and extensive local processing infrastructures, many local fruit industry associations and governments would connect us with growers with quality fruits to the Company's local team to facilitate collaboration, benefiting the local economy. In China, because our business caters to the national "rural revitalization strategy" (鄉村振興政策), the local government may introduce us to local premium orchards to further local agricultural development and to assist growers in sales. Moreover, we could identify and approach orchards and other suppliers through our operations in the wholesale markets, as well as existing suppliers' references due to our large-scale procurement demands for different types of fruit. During the harvest season, some orchards and suppliers would actively approach us as well. After identifying appropriate orchards or growers, we typically place orders in advance and make prepayments to secure the supply of high-quality products.

BUSINESS

During the Track Record Period, our prepayments continued to increase, primarily as a result of our efforts to strengthen relationships with suppliers to ensure a stable supply of fruit and increased purchases to support our business growth. In 2019, 2020 and 2021, our net operating cash outflow resulted from the change in prepayments at the end of the year compared to the beginning amounted to RMB395.9 million, RMB223.5 million and RMB480.4 million, respectively. In the five months ended May 31, 2022, our net operating cash inflow resulted from the change in prepayment at the end of the period compared to the beginning was RMB329.5 million. Taking the initiative to make prepayments to certain quality suppliers was of great significance for us to secure a stable supply of high-quality fruits. We purchased from suppliers requiring prepayments as these suppliers offered us priority in securing supplies of high-quality fruit in advance when they were harvested. The prepayment arrangement was utilized primarily for orchard suppliers. Through prepayment, we have ensured a stable supply of fruits in quality and quantity and strengthened our long-term relationship with such orchard suppliers, which was in line with our direct sourcing initiatives. In addition, it is a common industry practice to secure supplies of high-quality fruits in advance through the prepayment according to CIC. We continuously enhance the supervision and management of our prepayments. As of the Latest Practicable Date, RMB646.0 million, or 62.7% of our prepaid products as of May 31, 2022 had been subsequently received. The overall aging of our prepayments is generally within one year, which is in line with the industry practice, as confirmed by CIC. In the future, we will be able to accelerate the settlement of prepayments with suppliers as well as reduce the proportion of prepayments as a result of our rising bargaining power and increased business scale. Please see “Financial Information — Net Current Assets/Liabilities — Trade and other receivables” and “Summary — Summary Consolidated Financial Information — Cash flow analysis” for more details.

We also provide guidance and share know-how with suppliers, including advanced plantation techniques such as flower induction, fruit thinning and picking. In addition, leveraging our *HJ Star Bridge* (洪九星橋) system, we collect data on the price, quantity, quality and transportation of various fruits from origins to destinations. With such data insights, we can timely adjust procurement amounts and provide suppliers with sales forecasts, facilitating their cultivation plans. This allows us to deepen our relationship while further ensuring a secure and steady supply.

Furthermore, due to the seasonality and uncertainties inherent in the cultivation and sale of fruits, we purchase from third-party fruit suppliers from time to time to replenish our stock under certain conditions. We have also expanded our product portfolio by developing more SKUs to avoid the seasonality risks reckoned with overreliance on limited product offerings. Currently, with our six core products and other popular fruit products, we have achieved a year-round supply of fruit products for our customers across China.

Currently, all of our products are purchased from third parties. We maintain cooperative relationships with over 7,000 fruit suppliers as of May 31, 2022. Our suppliers are from over 100 places of origin in Thailand, Vietnam and China. We select suppliers with a particular focus on their reputation and operational scale so as to ensure a quality and stable supply.

BUSINESS

All of our fruit suppliers are required to comply with the relevant laws and regulations, as well as the quality standards provided by us under relevant agreements. We evaluate and select our suppliers based on a number of factors, including their product quality, reputation, scale of production, operational experience, stable year-round supply volumes, food safety controls, as well as price stability. We periodically evaluate our suppliers as detailed in “— Quality Control — Procurement Quality Control.”

We produce our annual procurement schedules at the end of each year based on our sales forecast, as well as our market researches on fluctuations in fruit demand, supply and prices in the upcoming year. A detailed purchase plan for each fruit category will be further developed before the seasonal purchase commences. The procurement schedules are subject to periodical adjustment pursuant to our updated market researches and estimates, subsequent sales we achieved, and other unpredicted incidents. In addition, our heads of sales branches shall collect and submit the estimated procurement demands of their sales branches to our headquarters on a monthly basis.

We typically enter into purchase agreements with our suppliers in advance to ensure sufficient supply. We maintain a buyer-seller relationship with them. Purchase agreements generally have a term of one to three years. The agreements are renewed automatically unless either party gives notice of termination, and could be terminated for default. There is generally no exclusive clause. We place orders subject to the terms of the purchase agreements, which specify the fruit category, quantity, price, quality standards for acceptance, delivery destination and so on. The purchase agreement also provides detailed acceptance standards for fruit. We require our suppliers to present us with the results of pesticide residue tests or other requisite testing reports in compliance with the applicable laws and regulations. Relevant suppliers shall be liable for our damages in the event of defective fruit products due to inappropriate warehousing or logistics arrangements, or that the fruit was damaged in our warehouses due to inappropriate post-harvest processing procedures. In addition, if any supplier delays in product delivery, we are entitled to reject such products and the supplier shall be liable for the breach of contract and the relevant losses.

Logistics arrangements

During the Track Record Period, we outsourced substantially all of our logistics needs to independent third-party logistics service providers. We manage the services provided by third parties through our digital system to ensure efficient distribution of our products. We believe outsourcing logistics allows us to reduce capital investment and the risk of liability for transportation accidents, delivery delays or losses. To ensure the quality of our products, all the containers are required to follow our stringent logistical standards with respect to temperature, humidity, hygiene and physical conditions for fruits in transit. We also install real-time temperature recording instruments on those cold chain containers to ensure that our requirements are satisfied.

BUSINESS

As of May 31, 2022, we had 41 logistics service providers. We stringently select our logistics service providers based on thorough and regular review of their price and service quality, including risk control and punctuality. We evaluate the performance of our logistics services providers monthly and annually, and terminate collaboration with those who fail to meet our standards. We usually enter into standardized logistics agreements with a term of one to two years. The agreements are automatically renewed when new orders are made and could be terminated for default. There is generally no exclusive clause. We typically pay after the delivery is completed. Under the terms of our agreements, logistics service providers shall be liable for any damages to our products during the transportation process. During the Track Record Period, we did not have any material disputes with our logistics providers or major delays in delivery of our products. We do not anticipate any shortage of logistics services in the foreseeable future.

Customs clearance arrangements

We hire professional third-party customs clearance agents to handle the process to lower cost and increase efficiency. We communicate with our agents constantly before our fruit products arrive at the ports and provide necessary documents for customs declaration in a timely manner. Our agents arrange for customs clearance procedures and bear the relevant fees. We will reimburse the fees to the agents after the completion of customs clearance.

We adhere to stringent quality control standards in selecting, evaluating and supervising these service providers, and perform regular and *ad hoc* inspections. In selecting customs clearance agents, we look into a broad range of factors, including their previous transaction with us, credit worthiness, regulatory compliance track record, technology capability and expertise.

The agreements we entered into with our third-party customs clearance agents typically have a term of one to three years. Under the terms of these agreements, payments are settled on a timely basis, and the agents are liable for damages and losses arising from the customs clearance process if the agents are at default. During the Track Record Period, we did not have any material disputes with our customs clearance agents.

THIRD-PARTY PAYMENT ARRANGEMENTS

Background

During the Track Record Period, 110 of our customers (the “**Relevant Customer(s)**”) settled their payments with us through third-party payors (the “**Third-party Payment Arrangement(s)**”). In 2019, 2020 and 2021, there were 27, 43 and 62 Relevant Customers, and the aggregate amount of third-party payments was RMB8.7 million, RMB17.0 million and RMB129.4 million, respectively, representing approximately 0.4%, 0.3% and 1.3% of our total revenue, respectively. During the same periods, there were 27, 46 and 62 third-party payors involved in the Third-party Payment Arrangements. The amount of third-party payments increased from RMB17.0 million in 2020 to RMB129.4 million in 2021 was primarily due to the increase of our revenue, which was line with our business expansion. The increase in 2021

BUSINESS

was primarily because there were additional Relevant Customers entered into third-party payment arrangements and settled all amounts due to us through third-party payors due to limited cash flow or stringent liquidity management. Currently, we have ceased Third-party Payment Arrangements with these Relevant Customers, and they pay directly through their own bank accounts. No individual Relevant Customer had made material contribution to our revenue, and none of them were our top five customers during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, other than simply accepting the third-party payments paid by the third-party payors for the Relevant Customers, we have not proactively initiated any of the Third-party Payment Arrangements, nor have we participated in any separate arrangement between the Relevant Customers and their respective third-party payors for the settlement of the payments owed by the Relevant Customers to the third-party payors. Furthermore, during the Track Record Period and up to the date of this Prospectus, we have not provided any discount, commission, rebate or other benefit to any of the Relevant Customers or the third-party payors to facilitate or incentivize the Third-party Payment Arrangements.

During the Track Record Period, third-party payors primarily consisted of affiliated persons with the Relevant Customers, such as spouses and family members of the owners, shareholders and other designated employees of the Relevant Customers, as well as affiliated entities with the Relevant Customers, such as parent companies. Our Directors have confirmed that, all the third-party payors are independent of our Group and each of our respective directors, senior management and shareholders. We issued the bills to the Relevant Customers directly with respect to the relevant transactions and payment amounts.

Reasons for Utilizing Third-party Payment Arrangements

The Relevant Customers during the Track Record Period primarily were fruit distributors and retailers, including terminal wholesalers, supermarket customers and emerging retailers. Among the 110 Relevant Customers, 46 were terminal wholesalers, 22 were supermarket customers, 17 were emerging retailers, and 25 were institutional and individual customers who made purchases through our direct sales channel. After conducting qualitative interviews and quantitative investigations regarding the payment arrangement of fruit procurement by fresh fruit distributors, including interviews with relevant customers and cross-check with other industry experts, as well as the analysis of information from other industry participants, CIC is of the view that it is a common commercial practice for fresh fruit distributors in China to settle payments through third-party payors to their fruit suppliers and service providers. Based on the representation of the Relevant Customers and to the best knowledge of our Directors, the main reasons for the Relevant Customers to utilize Third-Party Payment Arrangements include:

- (i) some institutional customers, such as supermarkets, may arrange their related parties or third parties to settle their outstanding amounts due to us for their internal operational and financial management practice and/or for convenience. The third-party payors who are related parties to the Relevant Customers are usually entities who share common ownership and/or management with the Relevant Customers;

BUSINESS

- (ii) some Relevant Customers paid through third-party payors because they may experience limited cash flow or stringent liquidity management from time to time, as a result of which when we take measures to accelerate our receivables collection process, the Relevant Customers chose to expedite the settlement of their payments owed to us through Third Party Payment Arrangements; and
- (iii) some Relevant Customers operated their business in the form of sole proprietorship (個體工商戶) and it is common for them to settle payments through personal bank accounts of their respective family members out of convenience.

Legal Implications Relating to Third-party Payments Arrangement(s)

Our Directors believe that, the funds for the Third-party Payment Arrangement(s) originated from the Relevant Customers and, to the best of our knowledge, we have completely and accurately recorded relevant third-party payment transactions for the following reasons: (i) most Relevant Customers notified us in writing with a delegation of payment letter (the “**letter**”) when the payment was made and provide us with payment vouchers setting out the bank account information for payment being settled; (ii) copies of the bank advice from the third-party payors to evidence payment; (iii) we would then cross check our bank account records in order to ensure we had received the same amount of money as compared to the invoice amounts that the Relevant Customers settled; and (iv) we further check our account records with Relevant Customers on a quarterly basis to verify the payment amount accuracy. During the Track Record Period, approximately 69.0%, 78.1% and 99.7% of total amount of sales involving Third-party Payment Arrangement were conducted with the letter. Additionally, we had a one-to-three-year business relationship with substantially all of the Relevant Customers. Based on their historical settlement records and the absence of material negative news and/or publicity about the Relevant Customers, their shareholders and directors, our Directors believe that the transactions with the Relevant Customers did not appear to be made under unusual or unjustified complexity.

To the best knowledge of our Directors after making reasonable enquiries that, during the Track Record Period, (i) all the third-party payments were related to genuine transactions between us and the Relevant Customers and were made by bank transfers; (ii) the amount of third-party payments received by us from third-party payors corresponded with the transaction amount in the relevant sales orders, records, and/or invoices between the Relevant Customers and us; (iii) all relevant transactions involving third-party payments were completed with the agreed-upon amount being settled as specified in respective agreements; (iv) we have not encountered any incidents demanding us to return payment in relation to relevant transactions; and (v) nothing came to our attention that would cause our Directors to doubt the genuineness of relevant transactions or the good faith of relevant parties involved. In addition, we have implemented several Know Your Customer (“**KYC**”) procedures to have a comprehensive understanding of Relevant Customers’ identities, business/employment and sources of funds, as well as to prevent fraud or money laundering and terrorism financing offences. The procedures include, but are not limited to, obtaining a list of documents and detailed

BUSINESS

information such as the business registration, name card, marriage certificates, ID cards, contact details and other statutory documents from our customers. Further, we understand the nature of their business and their business model through having business meeting with Relevant Customers.

Based on the foregoing, our Directors confirm that, (i) during the Track Record Period, the relevant payments were based on bona fide underlying transactions and valid contracts, (ii) the risk of committing crimes, such as money laundering crime or bribery by us for receiving payments from third-party payors is remote, and (iii) the likelihood for us to be requested to repay is remote.

As advised by our PRC Legal Advisers, (i) the Third-party Arrangement(s) are an assignment of liability from Relevant Customers to third-party payors; (ii) The Tri-party Payment Agreement(s), once it comes into effect, constitute legal and binding obligations on each of the parties under the Third-party payment Arrangement(s) pursuant to the Civil Code of the PRC (中華人民共和國民法典); (iii) The Third-party payment Arrangement(s) without a delegation of payment letter and/or Tri-party Payment Agreement expose the transaction(s) to the risk of repayment due to the lack of the consents of relevant parties. Nevertheless, our PRC Legal Advisers are of the view that the arrangement(s) (including the transactions without a delegation of payment letter and/or Tri-party Payment Agreement) do not contravene or circumvent applicable laws or regulations in China.

Based on the independent due diligence work performed by the Sole Sponsor, the supporting documents provided by the Company and letters from the Relevant Customers, and having considered the work and procedures performed by the Reporting Accountants and the view of the PRC Legal Advisers to the Company, nothing has come to the Sole Sponsor's attention that would reasonably cause the Sole Sponsor to cast doubt on the views of the Directors above, the completeness and accuracy of the Group's books and records, or the genuineness of revenue settled through Third-party Payment Arrangements in any material respect.

Internal Control Measures of Third-party Payment Arrangements

To safeguard our interest against risks associated with Third-Party Payment Arrangements, we implemented various internal control measures to manage and reduce such practice, including, among other things:

- (i) we required our customers to settle their payments directly through their own corporate bank accounts, and in particular, we issued a memorandum to Relevant Customers informing them that the payments made by third parties including entities and individuals would not be accepted;

BUSINESS

- (ii) for customers who were unable to directly settle payments with us immediately at the relevant time, we required that such customers (1) communicate relevant information to us, including, among others, the identity of the involved third-party payors; (2) obtain prior written approval from persons in charge; (3) provide us with a delegation of payment letter (the “**letter**”); and (4) enter into a tri-party payment agreement (the “**Tri-party Payment Agreement(s)**”) with us and the third-party payors based on our house form. In the Tri-party Payment Agreement(s), it is specified that the Relevant Customer delegates its payment obligation under the terms of the original agreement with us to the respective third-party payor (the “**delegation**”), which undertakes to pay directly to us under the same terms. We shall accept the payment from the third-party payor as if it were paid by the Relevant Customer and issue the invoice to the Relevant Customer. The delegation shall not discharge the payment obligation of the Relevant Customer, and we may demand payment from, and pursue legal action against, the Relevant Customer if the respective third-party payor fails to pay accordingly;
- (iii) before accepting any third-party payment, we verified the payment information against the information recorded in our system to ensure that such payment was settled through the relevant third-party payor’s account as identified in the appropriate Tri-party Payment Agreement(s);
- (iv) if the Tri-party Payment Agreement(s) could not be provided immediately at the relevant time, we implemented additional stringent internal procedures to determine whether to retain or reject such third-party payments; and
- (v) we required our employees to reject all payments made by third-party payors that failed to satisfy the above-mentioned requirements.

To better manage payments from Relevant Customers, we have required: (1) the Relevant Customers and their respective third-party payors to not be involved in any money laundering or other illegal activities; (2) the Relevant Customers and respective third-party payors to indemnify us against all damages and losses that we may incur from such activities of them; and (3) the Relevant Customers to sign Tri-party Payment Agreement(s) and we would reject such Third-party Payment Arrangement(s) otherwise.

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our quality management system. Furthermore, to prevent the re-occurrence of the Third-party Payment Arrangements going forward, we have implemented enhanced internal control measures, including establishing a mechanism to monitor all coming payments through third-party payors. We revised internal policies and notified all of our employees that they are prohibited from accepting Third-party Payments. According to our revised internal policies, once such third-party payment incidents are found, the managers of our local sales branches and subsidiaries shall promptly notify our headquarter, and our deputy general manager in charge and our CFO will further review before reporting to the management for further decision and handling.

BUSINESS

Since early November 2021, we began to cease all Third-party Payment Arrangement(s) without a Tri-party Payment Agreement. Given the immaterial revenue contribution from Relevant Customers through Third-party Payment Arrangement(s) during the Track Record Period, our Directors are of the view that the cessation of Third-party Payment Arrangement(s) will not have any material impact on our business, results of operations and financial performance. Based on the above internal control measures which have been fully adopted by our Company since early November 2021 and the fact that since late December 2021, there had been no Third Party Payment incident without Tri-party Payment Agreement, our Directors are of the view that the above enhanced internal control measures are effective and adequate in preventing unauthorized Third Party Payments and its associated risks. Notwithstanding the above-mentioned factors, after taking into account overall risk management and internal control position of the Group, we intend to cease all Third-party Payment Arrangements before the Listing Date, and only accept direct payment from bank accounts owned by Relevant Customers. Since early January 2022, we have been strictly enforcing no Third-party Payments policies via additional written notices, and enhancing internal procedures requiring employees to carefully verify payment information against the information recorded in our system to ensure that payments are made through customers' bank accounts. Our deputy general manager in charge and CFO have been closely monitoring relevant arrangements and overseeing the implementation of the aforementioned policies. As of the Latest Practicable Date, all Third-party Payment Arrangement(s) have been ceased. Based on the above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the effectiveness and adequacy of the above enhanced internal control measures.

PROPERTIES

Owned Properties

We occupy certain properties in China in connection with our business operations. As of May 31, 2022, we owned 36 properties with an aggregate GFA of approximately 3,147 square meters in China, and we had obtained the land use right certificates for all parcels of land. The properties are mainly used for staff dormitories and subleasing properties.

Leased Properties

As of May 31, 2022, we had 156 leased properties with an aggregate GFA of approximately 154,448 square meters from third parties, mainly used as sorting centers and offices in China. The leases generally have a term ranging from one year to two years. We will consider renewal of the leases upon their expiry.

Lease Registration

As of May 31, 2022, 152 leased properties had not been registered and filed with the relevant land and real estate administration bureaus in China because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. These properties have an aggregate gross floor area of approximately 147,406 square meters.

As advised by our PRC Legal Advisers, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements and will not have any material adverse impact on our business operations. See “Risk Factors — Risks Relating to Our Business and Industry — The rights to use certain leased properties could be challenged by third parties or relevant authorities, and we may be forced to relocate due to title defects of such leased properties, which may result in a disruption of our operations, and unregistered lease may incur administrative penalties.”

Internal control Measures

As of May 31, 2022, we have required all of our lessors to provide the necessary documentation and valid title certificates before we enter into lease agreements with them. Moreover, we have stringently required our lessors to register our lease agreements with the relevant housing administrative authorities.

Properties in Thailand

As of May 31, 2022, we owned four parcels of land in Thailand with an aggregate GFA of approximately 64,659 square meters, which was primarily used for developing and improving agricultural skills, including irrigation, planting and fertilization. We typically research and test agricultural skills on parcels of land in order to increase yield and fruit quality, which can be shared with local farmers. We also owned six buildings in Thailand with an aggregate GFA of approximately 7,316 square meters, which were primarily used for fruit processing plants, offices and staff dormitories.

As of May 31, 2022, we leased ten properties in Thailand with an aggregate GFA of approximately 48,366.0 square meters, which were primarily used as fruit processing plants.

Properties in Vietnam

As of May 31, 2022, we owned one parcel of land with an aggregate GFA of approximately 17,375 square meters, and one property in Vietnam with an aggregate GFA of approximately 12,665 square meters, which were primarily used as fruit processing plants, offices and staff dormitories. We also leased two properties in Vietnam with an aggregate GFA of approximately 13,046 square meters, which were primarily used as fruit processing plants.

Properties in the Philippines

As of May 31, 2022, we leased two property with an aggregate GFA of approximately 600 square meters in the Philippines, which was primarily used as office.

BUSINESS

PROPERTY VALUATION

As of the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this Prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this Prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

LICENSES, PERMITS AND APPROVALS

We are required to maintain various licenses, approvals and permits in order to operate our business. Our material licenses and permits include, but are not limited to, the customs import and export related qualifications and food operation license. Our administrative center is responsible for monitoring the validity status of our licenses and permits, and making timely applications for renewal to relevant government authorities. Please refer to the section heading “Regulatory Overview” for further information on the laws and regulations that we are subject to.

Our PRC Legal Advisers have confirmed that we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in China and such licenses, approvals, and permits remain in effect as at the Latest Practicable Date. In addition, we monitor our compliance with the relevant laws and regulations to ensure that we have the requisite licenses, approvals and permits for our operations. The following table sets forth the details of our material licenses, permits, approvals and certifications.

<u>Holding entity</u>	<u>Name of the license, permits, approvals and certificates</u>	<u>Issuance authority</u>	<u>Issue date</u>	<u>Expiration date</u>
Chongqing Hongjiu Fruit Co., Limited	Food Operation License (食品經營許可證)	Market Supervision Administration, Shizhu Tujia Autonomous County	September 23, 2019	September 22, 2024
	Customs Import and Export Registry Consignor and Receiver of Import and Export Goods Record Receipt (海關進出口貨物收發貨人備案回執)	Qianjiang Customs	January 27, 2021	Not applicable

COMPETITION

According to CIC, the fresh fruit distribution market in China is highly fragmented, with the top five players accounting for an aggregate market share of less than 5% by sales revenue of fresh fruits in 2021. We compete with a broad range of competitors in the industry, including domestic and foreign fresh fruit distributors. We primarily compete on the basis of:

- stable supply of fruit products in quality and quantity;
- the development of new fruit products and brands;
- brand recognition and reputation;
- supply chain operational efficiency;
- technology infrastructure and capabilities; and
- sales and distribution network.

We consider large domestic and multi-national fresh fruit distributors, with access to financial resources, ability and experience in fruit product development, a challenge to us. Nevertheless, we believe that our efficient end-to-end supply chain, popular branded fruit products and nationwide sales and distribution network distinguish us from our competitors and enable us to compete effectively. For more details of competitive landscape of industries in which we operate, please refer to the section heading “Industry Overview” in this Prospectus.

BUSINESS

OUR AWARDS AND RECOGNITION

The table below sets forth some of our major awards and recognitions as of the Latest Practicable Date.

Awards/Recognitions	Awarding Agency	Year of Receipt
Outstanding Enterprise Contributing to Chongqing “Pairing Assistance of Enterprises to Villages” Targeted Poverty Relief Activity	Chongqing Poverty Relief Office and Chongqing Federation of Industry and Commerce	September 2020
China’s Top Enterprise Leading in Agricultural Industrialization	Ministry of Agriculture and Rural Affairs, PRC; National Development and Reform Commission, PRC; Ministry of Finance, PRC; Ministry of Commerce, PRC; The People’s Bank of China; State Taxation Administration; China Securities Regulatory Commission; All-China Federation of Supply and Marketing Cooperative	December 2019
Chinese Mass Credit AAA Level Enterprise	China Fruit Marketing Association; Beijing Guofutai Enterprise Credit Check Co., Ltd.	November 2019
Outstanding Private Enterprise Recognized in National “Pairing Assistance of Enterprises to Villages” Targeted Poverty Relief Activity	All-China Federation of Industry and Commerce; China’s Top Poverty Relief Office	October 2019
Vice President Unit of the Association	Chongqing Agriculture Product Processing Industry Association	July 2019
Leading Enterprise in Fruit Industry Recognized at the 40th Anniversary of Reform and Opening-up in China	China Fruit Marketing Association	June 2019
2016 Top 100 Brands for Chinese Leading Fruit Enterprises	China Fruit Marketing Association	August 2016
Local Large Agricultural Products Distributor	Chongqing Commodities Trading Market Association; Rural Commodities Trade and Marketing Association	January 2016

BUSINESS

OUR EMPLOYEES

As of May 31, 2022, we had a total of 2,614 full-time employees, with 379 based in Thailand and Vietnam and the rest based in China. The table below sets forth the number of our full-time employees by function as of May 31, 2022:

Department/Function	Number of Employees	%
Operating and management	103	3.9
Administration	270	10.3
IT	63	2.4
Procurement and processing	348	13.3
Marketing	291	11.1
Sales	1,335	51.1
Finance	204	7.8
Total	2,614	100.0

Our success depends on our ability to attract, motivate, train and retain qualified personnel. We recruit most of our employees in China through on-campus job fairs, recruitment agencies and online channels. We enter into labor contracts and confidentiality agreements with all of our employees. We review and evaluate our employees' performances monthly and annually, which forms the basis for determining the bonuses and promotions. Under the applicable PRC laws and regulations, we are subject to social insurance contribution plans. Save as disclosed in "— Legal Proceeding and Compliance" below, we believe that we have complied with the relevant national and local labor and social welfare laws and regulations in China in all material respects.

We place significant emphasis on internal referral and promotional opportunities, which we believe enables us to retain employees that appreciate our business operations and corporate values, which is vital to our sustainable long-term development. We offer our employees competitive compensation packages with performance-based bonuses, and an environment that encourages self-learning and development. We have regular and systematic training programs for employees of different departments and positions, in order to enhance their professional skill sets and understanding of our Company and the industry.

We have implemented *Five-star Corporate Culture* (五星文化) and *Apprenticeship Program* (師徒制) to engage and manage our employees. Our *Five-Star Culture* (五星文化) values pragmatism, accomplishment, self-enrichment, teamwork and self-discipline (務實、成就、學習、合作、自律). We generally place a premium on harmony over individualism, on substance over form, and on action over words. Through *Apprenticeship Program* (師徒制), we establish a mentoring program in which new employees can receive guidance and training from senior mentors. This program ensures that apprentices receive adequate training for in-demand skills, while also encouraging mentors to take care of the apprentices, fostering strong bonds amongst our employees.

BUSINESS

We established a labor union in 2020 that represents the employees with respect to labor disputes and other employee-related matters. The labor union is not covered by any collective bargaining agreement. We believe that we have maintained a good relationship with our employees. During the Track Record Period, we have not experienced any material labor disputes with our employees, or any failure in hiring a sufficient number of employees, which caused material or adverse impact to our business operations. See “Risk Factors — Risks Relating to Our Business and Industry — Our performance depends on our ability to maintain good relationships with our employees, and any deterioration in relations with our employees, shortage of labor or material increase in wages may have an adverse effect on our results of operations.”

INSURANCE

As required by the relevant laws and regulations in jurisdictions we operate, we maintain statutory social insurances such as pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. In addition, we have purchased insurance policies to cover our employer liability. We believe that our existing insurance coverage is adequate for our business operations and is in line with industry standards in the countries in which we operate. As of the Latest Practicable Date, we did not have any outstanding material insurance claims against us. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. See “Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance to cover our potential losses and claims.”

SOCIAL RESPONSIBILITY, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are committed to social responsibilities, and consider environmental, social and governance (“**ESG**”) essential to our continuous development. We focus on areas such as economic responsibility, employee responsibility, customer responsibility, supplier responsibility, environment responsibility and public responsibility. We have adopted a comprehensive policy on environmental, social and corporate governance responsibilities (the “**ESG Policy**”) in accordance with the Appendix 27 to the Listing Rules, which sets forth, among others, (i) the appropriate risk governance on environmental, social and governance (“**ESG**”) matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governing structure, (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators (“**KPIs**”), the relevant measurements and mitigating measures.

ESG Governance

Our Directors acknowledge the importance of corporate social responsibility to the long-term success of our Group. Pursuant to the ESG Policy, our Board is responsible for setting up our Group's overall ESG vision, target and strategy; reviewing our ESG Policy on an annual basis to ensure its effectiveness; and fostering a culture of acting in accordance with the core ESG values and principles.

Pursuant to our ESG policy, we have established an ESG team, which is responsible for overseeing and guiding the ESG initiatives of our Group. As set forth in our ESG policy, the ESG team is led by our chief executive officer, and comprises leaders of various key operational functions, including our human resources, finance and legal departments and other core management representatives as may be appropriate from time to time. Set forth below are the principal duties and responsibilities of our ESG team:

- following the latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, keeping the Board informed of any changes in such laws and regulations and updating our ESG Policy accordingly;
- assessing ESG-related risks on a regular basis according to applicable laws, regulations and policies to ensure our responsibilities with respect to ESG matters are met;
- monitoring local environmental, social and climate changes in regions where we operate and take timely measures to mitigate the risks associated with such volatile changes during our routine business operations;
- monitoring the implementation of our ESG Policy and engaging a third-party consultant to support us in fulfilling our ESG objectives if considered to be necessary;
- meeting on a semi-annual basis to identify, assess and manage progress of key ESG objectives; and
- preparing ESG report and reporting to our Board on an annual basis on the ESG performance of our Group, the effectiveness of our ESG Policy and any applicable recommendations.

During the Track Record Period and up to the Latest Practicable Date, we complied with relevant environmental and occupational health and safety laws and regulations in all material aspects, and we did not encounter any incidents or complaints that would have any material adverse impact on our business, financial condition or results of operation during the same period.

Social Responsibility

We have been and will continue to be highly committed to corporate responsibility. Joining the national initiatives to alleviate poverty, we participate in poverty alleviation activities in rural areas. For example, with relevant governmental supports, we collaborated with plantation bases in the rural areas of Chongqing and Guizhou Province, where we generally provide plantation guidance and share market insights. These efforts have efficiently scaled up local business and provided local villagers with better livelihoods.

We have adopted a set of initiatives to be socially responsible. For example, we encourage low-carbon and environmentally friendly travel. Our staff patrol all areas of our offices around the clock to turn off unnecessary air conditioning and power equipment in a timely manner to reduce waste of resources. We actively promote paperless office. For documents that must be printed, we encourage double-sided printing. We also actively classify garbage for recycling and reduce domestic and work waste. To ensure compliance with applicable laws and regulations, our human resource department will, if necessary and after consultation with our legal advisers, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations.

Environmental Sustainability

We are subject to PRC laws and regulations in relation to labor, safety and environment protection matters. We consider the protection of the environment important and have implemented measures to ensure our compliance with all applicable requirements. Our business is subject to relevant PRC national and local environmental laws and regulations which, among other things, require the payment of fees in connection with activities that discharge waste materials and impose fines and other penalties on facilities that threaten the environment. We are not in a highly polluted industry, but our fruit processing plants and sorting centers generate a certain amount of waste. We believe the waste we produce is not hazardous and has minimal impact on the environment.

Nevertheless, we acknowledge that climate-related issues pose a certain level of threat to us and are dedicated to monitor and mitigate our ESG-related risks. Under the guidance of Task Force on Climate-related Financial Disclosures (“**TCFD**”) recommendations, we have mainly identified two categories of climate-related risks: physical risk and transitional risk. We define physical risks as risks related to physical impact of climate change, either driven by acute weather-related events or long-term chronic shifts in climate patterns. We define transition risks as risks related to the transition to a lower-carbon economy, which may entail policy, legal, technology, and market changes.

BUSINESS

Physical risks

We believe that climate-related issues may bring about the risk of increasingly severe extreme weather events, such as frequent and severe occurrences of typhoons, hurricanes, droughts, flooding and increased rainfall, etc., which may cause direct damage to our assets and employees and indirect impact on our supply chain. Specifically, some of our suppliers may lose their fruit harvest under extreme climates, and their fruit supply is susceptible to crop diseases and pests. Therefore, we have been exploring and sharing agricultural know-how to help orchards and growers cultivate high-quality fruits and enhance yields, output stability and operational efficiency. In addition, we may potentially be impacted by an increased operation and maintenance cost of our fruit processing plants, sorting centers and headquarters, as well as increased investment in insurance for protection. Moreover, the health and safety of employees may also be endangered. Furthermore, such weather conditions are anticipated to cause disruption to supply chain and transport services, which may in turn result in delay of delivery of our products and increase our loss rate. In response, we have implemented a set of rigorous technical criteria as to temperature and humidity for the warehousing of each type of fruit during the transit for our logistics service provider.

Transition risks

Our business operations are subject to environmental protection laws and regulations promulgated by the PRC government. Maintaining compliance with applicable environmental rules and regulations, which may change from time to time, may not only increase our cost of compliance but also increase the litigation risks in our operations. If we fail to comply with any environmental-related laws and regulations, or face any accusation of negligence in environmental protection, we may be subject to the potential fines and penalties and mandatory suspension of our operation. Furthermore, such incidents may also adversely affect our reputation and reduce our competitiveness to new investors. Our business opportunities may be negatively impacted, for instance, our suppliers may be less willing to grant us a longer credit term because of our reputational damage and loss of creditability.

Also, potential transition risks may result from the transitioning to a lower-carbon economy which entails change in climate-related regulations and policy, and technology risks. Tightened environmental regulations may require significant investment to be made in transforming our business and operations, such as adoption of more environmentally friendly materials for processing and packaging our fruit products, which may increase the expenses.

In addition, customer awareness of environmental protection and health has evolved, and more customers are likely to change their eating habits and pay more attention to food traceability, environmental protection, and green and healthy product requirements. This may bring more potential opportunities to us. In particular, with the popularization and application of technologies as well as our end-to-end supply chain, we have streamlined our overall business operations and will see an improvement in managing energy efficiency. As a result, we will have more opportunities to be recognized by end consumers and business partners than less environmentally conscious competitors. At the same time, as the public shifts to healthier eating habits, fresh fruits will play a more important role in people's daily diets. Our well-established brand awareness and high-quality fruit will enable us to acquire a larger market share in the future, which will be beneficial for the increase of our popularity, sales, and

profit margins. In the future, we will continue to explore sustainable business opportunities and apply more environmentally friendly new technologies, and we are committed to practicing corporate social responsibility and low-carbon development strategies.

We will evaluate the likelihood of occurrence and the estimated magnitude of the resulting impact from the physical risks and transition risks. The decision to mitigate, transfer, accept or control a risk is influenced by various factors such as business location, cost-benefit analysis and change in regulatory landscape. We will incorporate physical and transition risk analysis into risk assessment processes and risk appetite setting. If the risks and opportunities are considered to be material, we will incorporate them into the strategy and financial planning process. It is expected that the extreme weather conditions for potential physical risks, and change in climate-related regulations and policy for potential transition risks would not have a material impact on our operation in the short and medium terms. We also aim to minimize the transition risk in the long term through reducing our carbon footprints.

Nevertheless, due to our effective internal control, our business, results of operation and financial condition had not been materially adversely impacted by any climate-related incident during the Track Record Period and up to the Latest Practicable Date.

Identification, Assessment and Management of Environmental, Social and Climate-related Risks and Opportunities

We have identified multiple risks and related opportunities on ESG-related issues through regular assessment and internal report procedure during our years of operation and interactions with external stakeholders, including our customers and suppliers, governmental bodies, and business partners.

Risks and opportunities identified and their impact on our business, strategies and financial planning

We have identified the following risks and opportunities during the Track Record Period:

Material Topics

Potential Risks, Opportunities and Impacts

Greenhouse gas emissions and electricity usage

The impact of our operating activities on the natural environment is limited, given that there is no hazardous emission from our operation, but only limited GHC emissions through the use of electricity provided by the office building, fruit processing plants and sorting centres where we operate. Nonetheless, we may face an increased operational cost of new equipment and facilities for transition to green building. We also identify opportunity in our daily operation to enhance our environmental performance through implementing our policy with respect to resources conservation.

BUSINESS

Material Topics

Potential Risks, Opportunities and Impacts

Waste water

When processing and cleaning fruits, we generally use clean water instead of pesticide or other chemicals. Waste water were generated during procedures like fruit cleaning. We hence identify opportunities in our daily operation to save water resources. Such waste water produced by us is generally discharged into the municipal discharge network. In addition, we generally do not use refrigerants or other chemicals for fruit cooling in the ordinary course of our business. The cooling water required by the refrigeration process is a condensate that results from air-cooling, which is non-hazardous and could be recycled without being discharged.

Solid waste

During the Track Record Period, when processing, sorting and packaging fruits, we may generate non-hazardous wastes, such as spoiled and damaged fruit products, and potentially hazardous wastes, such as limited amount of engine oil. Spoiled and damaged fruits are typically collected and uniformly handed over by designated third parties. Solid wastes are also treated by separating the dry and wet characteristics of the waste and deposited in separate trash cans before being sent to specified third parties. We also intend to adopt measures to reduce negative environmental impacts associated with solid waste.

Packaging materials

During the Track Record Period, we have used packaging materials for our fruit products, such as packaging boxes, packaging bags, gift boxes and fruit labelling. To mitigate the impact of our packaging materials to the environment, we have introduced biodegradable plastic bags and recyclable packaging material as part of our sustainability initiatives.

Employment right protection

We value our employees and are required to comply with labor protection laws and regulations. However, the health and safety of employees may be put at risk due to climate-related issues, such as increasingly frequent extreme weather conditions. As a result, we intend to enhance our internal control in terms of employee right protection, provide a better employee benefit and incentive mechanism and continue to build a safe working environment.

BUSINESS

Material Topics

Potential Risks, Opportunities and Impacts

Supplier management

Our suppliers are regarded as an important part of our supply chain for us to provide high-quality products to our clients. We typically procure fruits from third-party suppliers and engage third-party logistics service providers, and have limited control over their practices. In addition to requirements on qualifications and experience of our suppliers, we have started to explore, together with our suppliers, whether any eco-friendly material or way of working could be potentially employed.

The abovementioned business opportunities and risks identified will be further evaluated on an annual basis upon Listing. We would aim to review the abovementioned risks and opportunities by the end of this year in a manner to gauge and quantify the financial impact in respect of respective revenue and expense profiles. If the risks and opportunities are considered to be material, the Board may revise and adjust our strategies and mitigation steps as appropriate.

Measure to manage and mitigate ESG-related risks

We have put in place a series of comprehensive and effective measures to manage and mitigate ESG-related risks and prevent them from causing unnecessary impact on our operations and supply chain management:

- *Management of greenhouse gas emissions and electricity usage.* We advocate the concept of greener office and incorporate ESG-related matters into various training programs in order to raise energy consumption awareness of our employees. Furthermore, we are reducing our reliance on paper and aim to transform to a non-paper operation eventually through office digitalization. We also actively promote recycling office supplies, reducing travel by using emails and video conferences and prohibiting smoking in the office building. We make constant improvements to our equipment in order to reduce energy and water consumption. In particular, we purchase and use environmental-friendly electrical appliances and facilities in our office, such as energy-saving air conditioners. In addition, we have taken measures to reduce energy consumption, including (i) gradually replacing high energy-consuming equipment to reduce energy consumption; (ii) using light sensor control resolution in office areas and ancillary solar water heaters for heat water supply; (iii) inspection and cleaning of refrigeration equipment on a regular basis at sorting centers and in the office areas to maintain the equipment condition at a proper energy consumption level; (iv) maintaining and replacing faulty equipment in a timely manner to avoid wasting of electricity due to equipment damage or poor insulation; and (v) reducing the overall electricity consumption in response of

national policies. Going forward, we intend to expand with a view of sustainability and make our best efforts to reduce greenhouse gas emissions and target to maintain power usage levels at 80% to 120% compared to that of 2021 over the next three years.

- *Management of waste water.* Our waste water discharge requirements are implemented in accordance with the standards of local and national environmental bureau. In order to comply with the relevant environmental laws and regulations, we have undertaken waste water discharge and processing measures to minimize the impact of the waste water, including establishment of sewage treatment tanks and implementation of specific sewage treatment equipment to treat sewage and ensure that the discharged water meets applicable national and local waste water discharge standards. In addition, we conduct routine inspections of the sewage treatment equipment to ensure its functionality, and we would promptly replace malfunctioning equipment with more advanced ones. We may also engage professional agents to treat the excessive sludge and other waste generated in the sewage process when necessary. In addition, despite our business expansion plan, we target to maintain water consumption levels at 80% to 120% compared to that of 2021 over the next three years, thereby controlling waste water discharge and reducing the impact of the waste water simultaneously.
- *Management of solid waste.* To minimize the impact of the solid waste, we perform garbage collection and sorting according to relevant PRC laws and regulations. Classified solid waste is then collected and processed by relevant city sanitation departments. In order to reduce the impact of solid waste on the environment, we have formulated clear guidelines for employees to identify, collect, store and dispose of solid waste. Proper trainings are provided for our employees on waste classification. Reusable waste, such as paper are handled by third-party waste management and recycling companies. Other waste cannot be recycled are handled by waste disposal companies. All waste produced by us is treated in compliance with applicable environmental standards. We attach importance to the recycling and reuse of solid waste. Furthermore, we have special procedures and designated staff in place to treat and dispose of any potentially hazardous waste. Potentially hazardous solid waste like engine oil was centrally and properly stored in our plants and sorting centers. We are committed to developing in a sustainable manner and minimizing the impact of solid waste, and would engage qualified third parties to collect and dispose potentially hazardous waste if necessary.

BUSINESS

- *Management of packaging materials.* We are committed to environmental protection and we advocate and practice sustainable development. During the Track Record Period, we primarily used cardboard boxes and packaging bags as packaging materials. We strive to reduce the impact of pollution of product packaging materials on the environment. We do not provide excessive product packaging and adhere to the principles of recycling and environmental friendliness for packaging materials. We have introduced biodegradable plastic bags as well as recyclable packaging boxes and bags with the advancement of relevant technologies and issuance of favorable policies. Although we generally advocate for environmental sustainability, non-biodegradable packaging materials are either handled by consumers or collected by independent third-party waste management companies. Going forward, we will continue to promote the de-plasticization of product packaging and gradually increase the proportion of biodegradable packaging materials that are environmentally friendly, such as polybutylene adipate terephthalate.
- *Management of employee rights.* We endeavor to promote an open, transparent and inclusive work environment through an emphasis on communication and participation. Our employees are entitled to the welfare benefits and a broad range of career development opportunities through our sound talent cultivation mechanism. We also value the gender equality and diversity of the workplace, and we have taken initiatives to broaden the impact of female workers, and empower and encourage them to share their perspectives.
- *Management of suppliers.* When selecting and evaluating suppliers, we take environmental impacts of them into consideration. We require our suppliers in Thailand, Vietnam and China to comply with applicable national regulations in terms of labor protection, environment and social responsibility. We would warn or terminate collaboration once we found suppliers violate such regulations. We also encourage our logistics partners to use eco-friendly transportation vehicles such as electric trucks for pickup and delivery. Furthermore, we promote the use of clean fuel and energy-saving and environmental friendly equipment in our operation, including sorting and transportation.

BUSINESS

Metric and Targets

While we do not produce emissions or consume resources significantly, we believe in the importance of caring for our planet and strive to balance our role as a for-profit company with the betterment of people of the planet. We have established a comprehensive set of KPI to constrain and guide our business operations with a view of a sustainable development. The table below sets forth a quantitative analysis of our environmental performance during the Track Record Period.

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Electricity consumption				
Total electricity consumption (million kWh)	1.2	4.5	9.4	3.6
Water consumption				
Total water consumption (thousand cubic meters)	42.7	87.8	219.2	82.5
Natural gas consumption				
Total natural gas consumption (thousand cubic meters)	4.1	11.4	42.3	18.6

During the Track Record Period, we continuously discharged waste water into the sewage treatment tanks, which automatically treated such waste water prior to its further emission. In the meantime, our sorting centers and points of sale are leased and centrally managed by the property management companies, and we have not maintained equipment for measuring greenhouse gas emissions during the Track Record Period. As a result, we have no concrete data concerning waste water use, waste consumption, or greenhouse gas emissions for disclosure. Nevertheless, despite our business expansion, we plan to control the consumption of waste water and solid waste as well as greenhouse gas emissions and aim to maintain relevant consumption levels at 80% to 120% of those of 2021 over the next three years by collecting and analyzing relevant data records over the next three years, through the implementation of advanced equipment and the engagement of professional third parties where appropriate, ensuring the effectiveness of our environmental protection measures and making best efforts to reduce negative impacts on the environment.

Power Usage

Metrics and targets. We endeavor to proactively conserve energy in response to the government's initiatives. In 2019, 2020 and 2021 and the five months ended May 31, 2022, our power usage was 1.2 million kWh, 4.5 million kWh, 9.4 million kWh and 3.6 million kWh. The increase in the amount of power usage was in line with our business expansion with additional sales branch and sorting centers, where electricity was primarily used for office lighting and the running of our office equipment. We intend to expand with a view of sustainability, based

BUSINESS

on our projections of business expansion, and taking into account relevant power-saving measures and equipment that will be implemented in the future. Our target is to maintain power usage levels at 80% to 120% compared to that of financial year 2021 over the next three years.

Measures leading to the targets. We install energy-efficient equipment and facilities in the office and ensure lights and electric devices are switched off when not in use. We urge employees to set air-conditioning temperature in a reasonable manner, and close the windows when the air conditioner is turned on. We also raise energy consumption awareness of our employees during our trainings and campaigns.

Water Consumption

Metrics and targets. We voluntarily take on our social responsibilities to practice water conservation. In 2019, 2020 and 2021 and the five months ended May 31, 2022, our water consumption was 42.7 thousand cubic meters, 87.8 thousand cubic meters, 219.2 thousand cubic meters and 82.5 thousand cubic meters. Despite our business expansion plan, based on our forecasts of business growth and factoring in water-saving initiatives, we target to maintain water consumption levels at 80% to 120% compared to that of financial year 2021 over the next three years.

Measures leading to the targets. We strive to conserve water by implementing measures such as perform regular checks on faucets to avoid unnecessary leakage and enable prompt reporting of any damages, and actively promoting water conservation awareness among employees by placing water-saving signs in offices.

Natural gas consumption

Metrics and targets. We endeavor to fulfill our social responsibility of sustainable development. In 2019, 2020 and 2021 and the five months ended May 31, 2022, our natural gas consumption was 4.1 thousand cubic meters, 11.4 thousand cubic meters, 42.3 thousand cubic meters and 18.6 thousand cubic meters. The increase in our natural gas consumption was generally in line with our business expansion, and was primarily due to (i) the increasing use of natural gas over electricity as it is more energy efficient; and (ii) upgrades in our sorting centers, which increased the use of natural gas. Despite our business expansion plan, we target to maintain natural gas consumption levels at 80% to 120% compared to that of financial year 2021 over the next three years, which is in line with our business expansion after taking into account the energy-saving measures below.

Measures leading to the targets. We regularly inspect our pipes to prevent gas leaks. We replace some of our equipment with more energy-efficient products, and we typically unplug our equipment when our offices are unoccupied.

Resource Consumption

We endeavor to reduce negative impact on the environment through our commitment to energy saving and sustainable development. We actively promote the idea of a paperless workplace, and we encourage double-sided printing of documents in our office.

When setting targets for each KPI, we will take into account the respective historical levels during the Track Record Period. We have considered our future business expansion with a view to balancing business growth and the need of ESG to achieve sustainable development. The relevant material KPIs will be reviewed regularly to ensure that they remain appropriate to the needs of our Group. While we appreciate that the identification and prioritization of ESG-related issues is a dynamic and on-going process, we will build the following targets as our initial focuses:

- (i) reduce the level of power and water consumption density;
- (ii) conduct anti-corruption training by a third-party specialist for all members of our staff (including directors of our Group) with 100% attendance and at least one hour per person; and
- (iii) provide ESG-related training for our staff members, with at least two working days per person per year.

In the upcoming future, our administrative expenses regarding environmental, social, and climate-related issues are estimated to increase, along with our overall business development; however, the proportion of such administrative expenses against our total revenue is estimated to trend downwards.

Employee Care

We have established occupational safety and sanitation systems and provided employees with workplace safety training on a regular basis to increase their awareness of work safety issues. For instance, we implemented a “6S” management system, which is a workplace organization method that highlights “Sort, Set in Order, Shine, Standardize, Sustain and Safety”. We have applied the “6S” management system from offices to fruit processing plants and sorting centers. In addition, our 6S committee inspects, supervises and assesses the implementation of this system on a daily basis. To further ensure compliance with applicable laws and regulations, our human resources department would, from time to time if necessary, adjust our human resources policies to accommodate material changes to relevant labor and work safety laws and regulations.

We are always open to work with partners who share the same values on social, environmental and governance with us. We have implemented strict internal policies to ensure that we abide by all laws and regulations of the jurisdictions in which we operate, and have not employed a child or caused or permitted a child to be employed, which complied with

BUSINESS

applicable laws and regulations, during the Track Record Period. We will also focus on embracing diversity within our Group, as well as equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. We recognize and embrace the benefits of having a diverse Board of Directors to enhance the quality of its performance. To this end, we have adopted a board diversity policy which requires all board appointments to be based on meritocracy, and candidates to be considered against objective criteria. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace and teahouses for all of our employees.

As confirmed by our Directors and advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material fines or penalties due to non-compliance in relation to health, work safety, social or environmental regulations, and have not had any accidents, or claims for personal or property damage made by our employees, which had materially and adversely affected our financial condition or business operations.

Fair Trade and Anti-Corruption

During the Track Record Period, we have conducted business in accordance with the principles of transparency, competition, and fair trade with participants along our supply chain. We have strict internal policies in place to ensure that employees and representatives of us do not (i) transact with, or stop transaction with, a specific party without justification; (ii) discriminate against a specific party in price and other terms and conditions; (iii) engage in predatory pricing; (iv) enter into coerced transaction; or (v) abuse dominant market position for transacting with others.

In particular, suppliers with quality fruit have been crucial to our business operations, and we have maintained good business relationships with suppliers during the Track Record Period. Our suppliers are generally protected by local government and industry associations with laws and regulations in relation to competition, fair trade, price and anti-monopoly, and we have been law-abiding. We provide suppliers with fair market prices and large-scale procurement orders, and further empower them with advanced agricultural know-how, such as flower induction, fruit thinning and picking, to cultivate high-quality fruits and improve yields, output stability and operational efficiency. In the meantime, to safeguard the principle of fair trade without exploitation or abuse of our market position, our purchase agreements generally have a term of one to three years without an exclusive clause to ensure that our suppliers could make business decisions at their will.

In order to further protect participants along our supply chain, we also adopt a zero-tolerance attitude towards bribery and corruption, and strictly prohibit any form of fraud or corruption by employees or representatives of us. In this regard, we have formulated internal policies such as Anti-Fraud and Anti-Corruption policies. During our daily operation, we strictly prohibit employees from taking advantage of their positions or explicitly, implicitly, or tacitly allowing others to take advantage of their positions to provide special convenience,

BUSINESS

preferential policies, opportunities and resources for themselves, relatives, friends or other stakeholders. We have further established a whistle-blowing system with hotline and email, and announced it to employees at all levels and all stakeholders that have direct or indirect economic relations with us. Our whistle-blowing number is open to parties along our supply chain, including suppliers and customers, to report actions that may violate professional ethics or codes of business conduct.

INTELLECTUAL PROPERTY

We rely on a combination of trademark, trade secret and other intellectual property laws in China and other jurisdictions, confidentiality procedures and contractual provisions to protect our intellectual property. In general, we enter into a contract with relevant employees, which includes a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in those works.

As our brand names are becoming increasingly more recognized among consumers in China, we believe that protecting and enforcing our intellectual property rights are of significant importance for our business operation, branding, and reputation. We seek to maintain registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. On the other hand, a number of proprietary know-hows that are not patentable and processes for which patents are difficult to enforce are also important for us. We expect to rely on trade secret protection and confidentiality agreements to safeguard our interests in this respect. We believe that certain elements in our operations are not covered by patents or trademarks. We have taken security measures to protect such elements.

As of May 31, 2022, in China, we had 188 registered trademarks and 33 applications for registered trademarks for our brands and logos, three patents in relation to the package of our products, 21 copyrights in relation to the design and package of our products, three software copyrights developed by us supporting the operation of our logistics system and supply chain management system, and six registered domain names. For details, please also see “Appendix VI — Statutory and General Information” to this Prospectus.

It may be necessary in the future to seek or renew licenses relating to various aspects of our products and processing. While we have generally been able to obtain such licenses on commercially reasonable terms in the past, there is no guarantee that such licenses could be obtained in the future on reasonable terms or at all. See “Risk Factors — Risks Relating to Our Business and Industry — We require various approvals, licenses and permits to operate our business 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.”

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, there was no material violation or infringement of any intellectual property rights owned by us or by any third parties, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. See “Risk Factors.” We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Our policies and procedures cover all material aspects of our operations, including, but not limited to, the selection of suppliers, procurement of fruits, management and administration of daily operations, financial reporting and recording, investment management, provision of external guarantee, information disclosure, and compliance with applicable laws and regulations. See “— Quality Control” for details.

Our Audit Committee is responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our risk management system. For the qualifications and experience of the committee members, see “Directors, Supervisors and Senior Management.” We periodically assess and update our risk management policies based on our operational needs and changes of laws and regulations. We also carry out regular internal evaluation and training to ensure that our employees are equipped with sufficient knowledge on our internal control measures and relevant laws and regulations.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after Listing, we have adopted and will continue to adopt, among other things, the following risk management measures:

- Establish an audit committee to review, supervise and coordinate the external and internal audit process, financial reporting and internal control system;
- 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;
- 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 non-compliance in employee handbooks and template contracts;
- Organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;

BUSINESS

- Enhance our reporting and records system for fruit quality control and safety management systems and conducting regular inspections of our offline infrastructures;
- Provide enhanced training programs on quality assurance and product safety procedures; and
- Engage accountant firms and law firms to provide trainings and advise on ongoing regulatory compliances with the relevant PRC laws and regulations.

Our Directors are of the view that our enhanced internal control system is sufficient and effective for our current operations.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We are subject to legal proceedings, investigations and claims arising in the ordinary course of our business from time to time. See “Risk Factors — Risks Relating to Our Business and Industry — We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our suppliers, customers, employees, business partners or other third parties, and may face significant liabilities as a result” and “Relationship with Our Controlling Shareholders — Independence from the Controlling Shareholders Group — Financial Independence” for more details.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that there was no litigation, arbitration, administrative proceedings or claim of material importance pending or threatened by or against us or any of our Directors, that would have a material adverse effect on our results of operations or financial conditions.

Non-compliance Incidents

Failure to make adequate social insurance and housing provident fund contributions

According to the relevant PRC laws and regulations, we are required to make contributions to social insurance funds (including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident funds for the benefit of our employees in China. During the Track Record Period, we did not make full contribution to the social insurance and housing provident funds for some of our employees as required under PRC laws and regulations.

BUSINESS

Reasons for non-compliance

During the Track Record Period, we had not made social insurance and housing provident fund contributions for some of our employees in full in accordance with the relevant PRC laws and regulations. In 2019, 2020 and 2021 and the five months ended May 31, 2022, the aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB7.0 million, RMB2.6 million, RMB10.6 million and RMB3.8 million, respectively. The aggregate shortfall of social insurance and housing provident fund contributions declined significantly in 2020 was primarily due to a series of policies regarding reduction and exemption of enterprise's social insurance contributions promulgated by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration, introduced in 2020 only, which ceased in 2021 and may not recur in the future.

This shortfall of contributions was primarily because: (i) a certain number of our employees have already participated in the new local rural social insurance plans, rural cooperative medical schemes or social insurance schemes for urban residents; hence, they are typically not willing to participate in the foregoing social welfare schemes and housing provident funds; (ii) a certain number of staff are newly employed whose social insurance procedures are in the process; (iii) we have suffered system delays in going through the procedures; and (iv) a certain number of our employees were not willing to participate in the social welfare schemes. As of the Latest Practicable Date, we had not yet commenced to make contributions to such overdue social insurance and housing provident funds for the practical difficulties as outlined above.

Potential legal consequences and maximum penalties

As advised by our PRC Legal Advisers, pursuant to relevant PRC laws and regulations, the under-contribution of social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

Latest status and remedial measures

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order to settle the deficit amount. Moreover, as of the Latest Practicable Date, we were not aware of any complaint filed by any of our employees regarding our social insurance and housing provident fund policy.

BUSINESS

We have reviewed and implemented enhanced internal control measures to prevent future potential non-compliances. We have prepared and distributed internally a compliance policy with respect to social insurance and housing provident fund contribution in accordance with the PRC laws and regulations. We have assigned designated personnel to monitor the status of payments of social insurance premiums and provident funds on a regular basis in order to ensure that we have made these payments for our employees on time in compliance with the applicable laws and regulations or in a manner as required by the relevant government authorities. The designated team includes our human resources staff, who shall prepare the written records of the relevant payments on a monthly basis and submit the same to the heads of our human resources and finance departments for review. Our Directors believe that our enhanced internal control measures are sufficient and effective for our current operations. With the implementation of the foregoing internal control rectification measures, we will make a firm commitment to comply with the relevant PRC laws and regulations relating to the payment of social insurance and housing provident fund contributions in all material respects within one year upon the Listing Date.

In addition, our PRC Legal Advisers have consulted with and obtained confirmation from, among others, the Human Resources and Social Security Bureau of Shizhu Tujia Autonomous County (石柱土家族自治縣人力資源和社會保障局), Chongqing Housing Provident Fund Management Center (重慶市公積金管理中心), Pengzhou Human Resources and Social Security Bureau (彭州市人力資源和社會保障局), Chengdu Housing Fund Management Center (成都市公積金管理中心), Zhangdian District Human Resources and Social Security Bureau of Zibo Municipality (淄博市張店區人力資源和社會保障局), Municipal Housing Provident Fund Management Center of Zibo Municipality (淄博市住房公積金管理中心市直分中心), Human Resources and Social Security Service Center of Linyi Hi-tech Industrial Development Zone (臨沂高新技術產業開發區人力資源社會保障服務中心), Luozhuang Branch of Linyi Housing Provident Fund Management Center (臨沂市住房公積金管理中心羅莊區分中心), Human Resources and Social Security Bureau of Xi'an Economic and Technological Development Zone (西安經濟技術開發區管理委員會人力資源和社會保障局), and Xi'an Housing Provident Fund Management Center (西安住房公積金管理中心). We obtained regulatory confirmations through written confirmations and in-person interviews as well as telephone inquiries with relevant authorities, confirming that during the Track Record Period, we (i) had made adequate or required social insurance and housing fund contributions, or (ii) did not have shortfall of social insurance and housing provident fund contributions, or (iii) had not been subject to any administrative penalties. Our PRC Legal Advisers are of the view that these governmental authorities are competent to confirm based on public information and their status as authorized governmental entities under applicable laws and regulations.

Having considered the foregoing, our Directors believe that such non-compliance would not have a material adverse effect on our business, results of operations or financial condition or the Global Offering, considering that: (i) we had not been subject to any administrative penalties during the Track Record Period and up to the Latest Practicable Date, (ii) we were neither aware of any employee complaints filed against us nor involved in any labor disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date, (iii) as of the Latest Practicable

Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds, and (iv) as advised by our PRC Legal Advisers, based on the interviews and consultations with relevant governmental authorities, they are of the view that the likelihood that we are subject to collection of historical arrears and any material penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees is remote. As a result, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date.

Interest-bearing loans made to related entity

To better utilize our surplus cash, we made interest-bearing loans to Chongqing Changshou District Jiuwu Agricultural-Breeding Cooperative (重慶市長壽區九五種植養殖專業合作社) in 2018 with an aggregate amount of RMB171.3 million, all of which have been fully repaid by the end of 2018. Ms. Jiang, our executive Director, controlled and was the legal representative of Chongqing Changshou District Jiuwu Agricultural-Breeding Cooperative. We recognized interest income from these loans of RMB9.8 million in 2018.

Legal consequences and potential penalties

Our PRC Legal Advisers advised us that according to the Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC, enterprises are prohibited from engaging in borrowing and lending or borrowing and lending in a disguised manner in violation of laws and regulations. Further, pursuant to Article 73 of the General Lending Provisions, the PBOC may impose administrative penalty against the non-compliant lender in the form of a fine between one and five times of the income received by the lender from such loans. In addition, according to clause 36 of *Law of the PRC on Administrative Penalty* (中華人民共和國行政處罰法), (the “PRC Administrative Penalty Law”), unless otherwise regulated, no penalty will be imposed to non-complaint lenders should such non-compliance matter have not been identified within two years after its occurrence, except for those affecting life and health of the citizens, and financial security, with material and adverse impact, in which case, the above-mentioned period shall be extended to five years. In addition, if the act is of a continual or continuous time, it shall be counted from the date the act is terminated.

Our PRC Legal Advisers are of the view that, considering that relevant loans have been fully repaid in 2018 and there has been no material adverse impact, and based on the requirement of the PRC Administrative Penalty Law, the risk for us being penalized for the above-mentioned loans under the General Lending Provisions is remote.

BUSINESS

Remedies and rectification measures taken and internal control measures adopted

We have adopted comprehensive internal control policies and implementation measures to prevent re-occurrence of similar incident, including (i) enhancing our financial reporting and recording system with strict approval procedures in relation to cash management, proper booking and timely auditing; (ii) improving our management on connected transactions to ensure timely identification and proper authorization to relevant transactions; and (iii) strengthening training to management teams and employees in this regard with updated laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we have not engaged in any lending arrangement in violation of applicable laws and regulations, and did not make any interest-bearing loans to related entities.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Mr. Deng, the chairman of our Board and an executive Director, was interested in and entitled to control approximately 30.63% of the voting rights in our Company through (i) 125,925,916 Domestic Shares beneficially owned by Mr. Deng, representing approximately 27.79% of the total share capital of our Company; and (ii) a total of 12,838,350 Domestic Shares through the Employee Incentive Platforms (namely, Chongqing Heli and Chongqing Hezhong) in the capacity of sole general partner of each of the Employee Incentive Platforms, representing approximately 2.83% of the total share capital of our Company. In addition, Mr. Deng was beneficially interested in approximately 25.06% and 8.44% of the limited partnership interests in Chongqing Heli and Chongqing Hezhong, respectively. Furthermore, Ms. Jiang (an executive Director and the spouse of Mr. Deng) beneficially owned 42,726,650 Domestic Shares, representing approximately 9.43% of the total share capital of our Company. Each of Mr. Deng Haoji (the son of Mr. Deng and Ms. Jiang) and Ms. Deng Haoyu (the daughter of Mr. Deng and Ms. Jiang) beneficially owned 13,592,217 Domestic Shares, together representing approximately 6.00% of the total share capital of our Company as of the Latest Practicable Date. Pursuant to the Entrustment Agreement entered into among Mr. Deng, Mr. Deng Haoji and Ms. Deng Haoyu, the respective voting rights attached to the Shares held by Mr. Deng Haoji and Ms. Deng Haoyu, representing collectively approximately 6.00% of the total share capital of our Company as of the Latest Practicable Date, have been entrusted to Mr. Deng solely and exclusively since the date when Mr. Deng Haoji and Ms. Deng Haoyu acquired equity interest in the Company from Mr. Deng in October 2020. Accordingly, Mr. Deng, Ms. Jiang, Mr. Deng Haoji, Ms. Deng Haoyu, Chongqing Heli and Chongqing Hezhong were together entitled to exercise approximately 46.06% of the voting rights in our Company as of the Latest Practicable Date and therefore, constitute the Controlling Shareholders Group.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the Controlling Shareholders Group will be able to exercise in aggregate approximately 44.68% interest in our Company and will therefore, remain as a group of our Controlling Shareholders pursuant to the Listing Rules.

For further details of Mr. Deng, Ms. Jiang, Mr. Deng Haoji, Ms. Deng Haoyu and the Employee Incentive Platforms, please refer to the sections headed “History, Development and Corporate Structure — Major Shareholding Changes of Our Group — 2. Employee Incentive Platforms” and “Directors, Supervisors and Senior Management” in this Prospectus.

INTEREST IN COMPETING BUSINESS

Save as disclosed under the section headed “Directors, Supervisors and Senior Management”, none of the members of our Controlling Shareholders Group had any interest in any business, apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with the business of our Group, which would require disclosure under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS GROUP

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of the members of the Controlling Shareholders Group and their respective close associates after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of twelve Directors comprising five executive Directors, three non-executive Directors and four independent non-executive Directors. Mr. Deng, our executive Director and chairman of our Board and Ms. Jiang, our executive Director and general manager, are also members of the Controlling Shareholders Group. For more information, see the section headed “Directors, Supervisors and Senior Management” in this Prospectus.

Our Directors consider that our Board and senior management will function independently of the Controlling Shareholders Group for the following reasons:

- (i) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that such Director acts for the best interests of our Company and our Shareholders as a whole and does not allow any conflict between his or her duties as a Director and his or her personal interests;
- (ii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions pursuant to the relevant requirements under the Articles of Association and/or the Listing Rules;
- (iii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions;
- (iv) all of the other Directors are independent of Mr. Deng and Ms. Jiang and decisions of the Board require the approval of a majority vote from the Board; and
- (v) we have appointed four independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors are of the view that our Board and senior management as a whole are capable to perform their roles in our Company independently and manage our business independently from members of the Controlling Shareholders Group and their respective close associates after the Listing.

Operational Independence

We are not operationally dependent on the Controlling Shareholders Group. We have established our own organizational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently from members of the Controlling Shareholders Group and their respective close associates. We have independent access to suppliers and customers. We are also in possession of relevant assets, licenses, trademarks and other intellectual property necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are of the view that we are able to operate independently from the Controlling Shareholders Group after the Listing.

Financial Independence

We have the ability to operate independently from members of the Controlling Shareholders Group and their respective close associates from the financial perspective. We have an independent financial system and make financial decisions according to our own business needs. We have our independent financial department with a team of independent financial staff responsible for discharging the treasury function, and an audit committee comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes.

As of May 31, 2022, our Group had a total bank loans and other borrowings amounting to RMB342.4 million guaranteed by the Controlling Shareholders Group. Please refer to the section headed “Financial Information — Indebtedness” and Note 20 of the Accountants’ Report as set out in Appendix I to this Prospectus. Such guarantees provided by our Controlling Shareholders Group will be released before the Listing.

On April 7, 2015, Mr. Deng entered into a loan agreement with a former business partner (the “**Loan Agreement**”), Mr. He Chao (何超) (the “**Former Business Partner**”), an Independent Third Party and whom as of the Latest Practicable Date, through holding controlling interests of Chongqing Lvwang Agricultural Products Co., Ltd. (重慶綠旺農產品有限公司), was (i) an indirect shareholder of Chongqing Liangjiang New Area Tongyi Small Loan Co., Ltd. (重慶兩江新區同誼小額貸款有限公司) (“**Tongyi Small Loan**”) holding 7.14286% equity interest therein; and (ii) the deputy chairman of Tongyi Small Loan. For further details on Tongyi Small Loan, see “Directors, Supervisors and Senior Management — Further Information In Relation To The Directors.”

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Pursuant to the Loan Agreement, the Former Business Partner (as lender) agreed to provide a loan to Mr. Deng (as borrower) in the principal amount of approximately RMB28 million with a monthly interest rate at 1.78% for an original term of 12 months, which was subsequently extended by the parties to the Loan Agreement. The loan thereunder was primarily used to fund Mr. Deng's investment in a company controlled by the Former Business Partner namely, Chongqing Deyuan Investment Co., Ltd. (重慶市德遠投資有限公司) (currently known as Chongqing Deyuan Logistics Co., Ltd. (重慶德遠物流有限公司)) ("**Chongqing Deyuan**") through further capital injection. The business scopes of Chongqing Deyuan include, among others, market property management, booth leasing, operation and management of agricultural products and frozen food market. At the relevant time, Chongqing Deyuan was in contemplation of investing in construction and operation of fruit wholesale market, which may create synergy effect with the principal business of our Company. As of the Latest Practicable Date, such fruit wholesale market is still under development and Chongqing Deyuan has yet to carry out any business operation. Subsequently, Mr. Deng acquired 42.5% equity interest in Chongqing Deyuan at a consideration of RMB2.55 million and injected further capital in Chongqing Deyuan primarily through the funding obtained pursuant to the Loan Agreement. Pursuant to the Loan Agreement, each of Ms. Jiang and our Company agreed to provide a joint and several liability guarantee in favor of Mr. Deng to secure his repayment obligation (the "**Guarantee Arrangement**"). Throughout the course of repayment of interests, subsequent arrangements regarding the interests repayments were made as follows: (i) upon entering into the Loan Agreement up to April 2016, Mr. Deng agreed to bear a monthly interest rate of 2.5% in view of the then private loan market conditions; and (ii) since April 2016, Mr. Deng agreed to bear a monthly interest rate of 2% pursuant to a confirmation letter issued by him in April 2016 (the "**Interest Rate Arrangements**").

Subsequent to a series of capital injection and share transfer in Chongqing Deyuan, in March 2018, with a view to introducing strategic investor for the long-term development of Chongqing Deyuan, certain shareholders of Chongqing Deyuan, including Mr. Deng, entered into an agreement to transfer an aggregate of 50.9957% equity interest in Chongqing Deyuan to Chongqing Chaoguan Industrial Co., Ltd. (重慶超冠實業有限公司) (the "**New Shareholder**"), an Independent Third Party whereas Mr. Deng agreed to dispose of 20.6384% equity interest in Chongqing Deyuan held by him to the New Shareholder (the "**Transfer Agreement**"), subsequent to which and as of the Latest Practicable Date, Mr. Deng held 15.5375% equity interest in Chongqing Deyuan. Pursuant to an agreement entered into between Mr. Deng, the Former Business Partner and the New Shareholder dated March 13, 2018 (the "**Payment Agreement**"), (i) the New Shareholder shall pay the Former Business Partner such consideration that were payable to Mr. Deng for the transfer of 20.6384% equity interest in Chongqing Deyuan under the Transfer Agreement (the "**Consideration**") to settle Mr. Deng's outstanding principal and interests accrued under the Loan Agreement; (ii) in the event there is any surplus from the Consideration after repayment to the outstanding principal and interests accrued, such surplus shall be paid to Mr. Deng; and (iii) in the event there is any shortfall from the Consideration after repayment to the outstanding principal and interests accrued, such shortfall shall be borne by Mr. Deng. Based on the terms of the Payment Agreement and the commercial intentions of the relevant parties, Mr. Deng genuinely believed and was of the view that the Payment Agreement in effect constituted a transfer of repayment obligation pursuant

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

to the Loan Agreement from Mr. Deng to the New Shareholder. Based on the terms of the Transfer Agreement and in view of the continuous repayment of interests by Mr. Deng prior to the entering of the Payment Agreement, such Consideration shall constitute sufficient repayment to settle Mr. Deng's outstanding principal and interests accrued under the Loan Agreement and the Interest Rate Arrangements. In view of (i) the failure of the New Shareholder to pay the Consideration in full to the Former Business Partner at the relevant time and in order to mitigate the rollover effect of interests accrued thereunder; and (ii) the financial strain faced by the Former Business Partner at the relevant time, Mr. Deng proceeded to repay the outstanding principal to the Former Business Partner from July 2019 to March 2020 with a bona fide intention to provide support to a long-term business partner.

As of the Latest Practicable Date, (i) pursuant to a settlement confirmation issued by the Former Business Partner to Mr. Deng in March 2020, the repayment of principal under the Loan Agreement has been confirmed as settled; and (ii) the party who should borne the repayment of outstanding interests and the amount of the outstanding interests accrued remained in dispute between Mr. Deng and the Former Business Partner.

In March 2022, the Former Business Partner applied for the pre-litigation preservation of properties of Mr. Deng, Ms. Jiang and our Company to the competent court in Chongqing for approximately RMB14.8 million whereas Mr. Deng has provided security deposit in full against such application in his personal capacity. In June 2022, we received a complaint from the Former Business Partner which was filed against Mr. Deng, Ms. Jiang and our Company to the competent court in Chongqing (the "**Complaint**") whereas Mr. Deng proposes to defend against the Complaint vigorously. Based on the advice of our litigation counsel, in the event any lawsuit will be brought by the Former Business Partner against Mr. Deng and/or our Company, (i) in light of the Transfer Agreement and the representations of and understanding of commercial intentions amongst the relevant parties as advised by Mr. Deng, there are reasonable grounds for Mr. Deng to assert that the New Shareholder is obligated to repay the outstanding interests accrued under the Loan Agreement requested by the Former Business Partner in full and such repayment by the New Shareholder shall be sufficient to settle the amount of outstanding interests accrued; and (ii) the likelihood that our Company will eventually be subject to any performance obligation as the guarantor is relatively remote and such lawsuit will not have material adverse effect on our business operation or financial condition.

We currently expect the Guarantee Arrangement to remain in force upon the Listing and shortly thereafter which would therefore, constitute a one-off financial assistance provided by us to our Controlling Shareholder. We have obtained an unconditional and irrevocable undertaking from Mr. Deng in favour of us, whereby Mr. Deng undertakes to (i) fully repay and settle any outstanding amount of loan (including the interest accrued thereunder) arising from the Loan Agreement as determined by the relevant judicial procedures directly to the Former Business Partner and ensure our Company would not be subject to any liability under the Guarantee Arrangement; and (ii) keep our Company indemnified promptly for any losses, liabilities, damages or costs which may be imposed on, suffered or incurred by our Company as a result of or in connection with the Guarantee Arrangement. Having taken into account the

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

above, our Company believes that (i) the likelihood that we will be required to make repayment on behalf of Mr. Deng pursuant to the Guarantee Arrangement is remote; and (ii) the Guarantee Arrangement is not expected to have any material adverse impact on our Company's business operation or financial condition which would jeopardize our Company's capability in maintaining its financial independence.

Save as disclosed above, our Directors confirm that, as of the Latest Practicable Date, (i) none of the members of the Controlling Shareholders Group or their respective close associates had provided any loans, guarantees or pledges to our Group; and (ii) our Group did not provide any loans, guarantees or pledges to members of the Controlling Shareholders Group or their respective close associates.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from members of the Controlling Shareholders Group and their respective close associates.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest with members of the Controlling Shareholders Group and their respective close associates:

- (i) As part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon the Listing. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting.
- (ii) Our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable requirements under the Listing Rules.
- (iii) We are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed four independent non-executive Directors, and we believe our independent non-executive Directors possess sufficient experiences and are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see the section headed "Directors, Supervisors and Senior Management" in this Prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iv) If a substantial Shareholder or a Director has a conflict of interest in a proposal which the Board has determined to be material, such matter should be dealt with by a Board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interests in the matter should be present at such Board meeting.

- (v) We have appointed Red Sun Capital Limited as our compliance adviser, 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.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of agreements or transactions with our connected persons in our ordinary and usual course of business. Upon the listing of our H Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Pursuant to Chapter 14A of the Listing Rules, our Directors, Supervisors, substantial Shareholders and chief executives, any persons who were Directors or directors of our subsidiaries within 12 months preceding the Listing Date and any of their respective associates are connected persons of our Company.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS — SALE OF FRUITS

During the Track Record Period, our Group from time to time sold fruits to our connected persons including our Directors, Supervisors and their respective associates, which is of a type of consumer goods ordinarily supplied for private use or consumption for the purpose of Chapter 14A of the Listing Rules. The aforementioned sale of fruits will continue after the Listing, thereby constituting continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

We completed and will complete such sales of fruits in the ordinary and usual course of business and the provision of such consumer goods by us has been and will be made on comparable terms as those offered to Independent Third Party consumers in the open market by our Company. Such fruits would be for the buyers' own consumption or use and would be consumed or used by the buyers in the same state as when they would be bought. Therefore, such transactions will be fully exempt pursuant to Rule 14A.97 of the Listing Rules from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors (including our independent non-executive Directors) consider that such sales of fruits (being provision of consumer goods ordinarily supplied for private use or consumption) has been and will be made on normal commercial terms and in the ordinary and usual course of our business, and that the transactions contemplated thereunder are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board consists of 12 Directors, comprising five executive Directors, three non-executive Directors and four independent non-executive Directors. Our Directors were elected at the Shareholders' meetings, and shall serve for a term of three years, subject to re-election upon retirement. Our independent non-executive Directors shall not hold office for more than six consecutive years in accordance with relevant PRC laws and regulations.

Our Supervisory Committee consists of five Supervisors, including three Supervisors and two employee representative Supervisors. Our Supervisors and employee representative Supervisors were elected at the Shareholders' meetings and the staff representative assembly, respectively, and shall serve for a term of three years, subject to re-election upon retirement.

All of our Directors, Supervisors and senior management have met the qualification requirements under the relevant PRC laws and regulations and the Hong Kong Listing Rules in respect of their respective positions at our Company.

DIRECTORS

The following table shows the key information of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Positions for the current tenure	Responsibilities
Executive Directors					
Mr. Deng Hongjiu (鄧洪九) . . .	52	October 2002	October 2002	Chairperson of the Board, Executive Director	responsible for overall strategic planning of our Company and presiding over the Board affairs
Ms. Jiang Zongying (江宗英) . . .	51	October 2002	April 2013	Executive Director, General Manager	overseeing the operations and management of our Company
Mr. Peng He (彭何)	52	June 2015	June 2015	Executive Director, Executive Deputy General Manager	overseeing and managing the daily operation of our Company and the operation of various functional departments
Mr. Yang Junwen (楊俊文)	48	December 2005	October 2019	Executive Director, Deputy General Manager	channel development and strategic planning of the supermarket operations of our Company

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Positions for the current tenure	Responsibilities
Ms. Tan Bo (譚波)	42	May 2010	April 2013	Executive Director, Deputy General Manager, Secretary of the Board	leading the work relating to financial management of our Company and its subsidiaries, financing and investors relations management and information disclosure
Non-executive Directors					
Mr. Xia Bei (夏蓓)	32	July 2020	July 2020	Non-executive Director	providing strategic advice on the operations of our Company and participating in the decision-making of the Board
Mr. Dong Jiaxun (董佳訊)	48	July 2019	July 2019	Non-executive Director	providing strategic advice on the operations of our Company and participating in the decision-making of the Board
Mr. Chen Tongtong (陳彤彤) . . .	43	September 2021	September 2021	Non-executive Director	providing strategic advice on the operations of our Company and participating in the decision-making of the Board
Independent Non-executive Directors					
Ms. Fan Weihong (范偉紅)	58	July 2020	July 2020	Independent non-executive Director	providing independent advice on the operations and management of our Company
Ms. Liu Xiuqin (劉秀琴)	49	July 2020	July 2020	Independent non-executive Director	providing independent advice on the operations and management of our Company
Mr. An Rui (安銳)	47	July 2020	July 2020	Independent non-executive Director	providing independent advice on the operations and management of our Company

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Positions for the current tenure	Responsibilities
Mr. Liu Anzhou (劉安洲)	35	September 2021	September 2021	Independent non-executive Director	providing independent advice on the operations and management of our Company

Executive Directors

Mr. Deng Hongjiu (鄧洪九), aged 52, is the founder of our Group, and an executive Director of our Company and the Chairperson of the Board. Mr. Deng was an executive Director of our Company from October 2002 to April 2013, and has been the Chairperson of the Board since April 2013. Mr. Deng was also the general manager of the Company from October 2002 to January 2014. Mr. Deng is primarily responsible for the overall strategic planning of our Company and presiding over the Board affairs. Mr. Deng has nearly 35 years of extensive experience in the fruit industry.

Since March 2017 and up to the Latest Practicable Date, Mr. Deng served as the managing partner of each of Chongqing Hezhong and Chongqing Heli, responsible for providing advice on management. In addition, Mr. Deng has been serving as a supervisor of Chongqing Hongjiu Investment Management Co., Ltd. (重慶洪九投資管理有限公司) since October 2014; and the non-executive deputy chairman of Chongqing Liangjiang New Area Tongyi Small Loan Co., Ltd. (重慶兩江新區同誼小額貸款有限公司) since October 2013.

Mr. Deng completed his doctoral program of economics in Sichuan University (四川大學) in China in October 2014.

Mr. Deng is the spouse of Ms. Jiang Zongying and the uncle of Mr. Yang Junwen. Mr. Yang is an executive Director of our Company.

Ms. Jiang Zongying (江宗英), aged 51, is an executive Director and the general manager of our Company. Ms. Jiang was a Supervisor of our Company from October 2002 to April 2013, and has been a Director of our Company since April 2013. Ms. Jiang has been the general manager of our Company since January 2014 and is primarily responsible for overseeing the operations and management of our Company.

Ms. Jiang also has been serving as a supervisor of Chongqing Jiuxintai Commercial Co., Ltd. (重慶九欣泰商貿有限公司) since August 2014 and she was the legal representative and president of Chongqing Changshou District Jiuwu Agricultural-Breeding Cooperative (重慶市長壽區九五種養殖專業合作社) from September 2009 to December 2012 and from December 2018 to November 2021. Ms. Jiang has nearly 20 years of extensive experience in the fruit industry.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Jiang completed middle school education in China. Ms. Jiang is the spouse of Mr. Deng, an executive Director of our Company and the Chairperson of the Board and she is also the aunt of Mr. Yang Junwen, an executive Director of our Company.

Mr. Peng He (彭何), aged 52, is an executive Director and an executive deputy general manager of our Company. Mr. Peng has been a Director of our Company since June 2015. Mr. Peng served as the deputy general manager of our Group from June 2015 to December 2020 and has been serving as the executive deputy general manager of our Company since December 2020. Mr. Peng is primarily responsible for overseeing and managing the daily operation of our Company and the operation of various functional departments.

Prior to joining our Group, Mr. Peng served as the general manager at Chongqing Xindaxing Aijia Commercial Chain Co., Limited (重慶市新大興愛家商業連鎖有限公司) from February 1999 to June 2012, primarily responsible for business and operation management.

Mr. Peng completed advanced seminar courses on enterprise transformation and innovation (企業調整轉型管理創新高級研修班) from Tsinghua University (清華大學) in China in July 2011.

Mr. Yang Junwen (楊俊文), aged 48, is an executive Director and a deputy general manager of our Company. Mr. Yang has been a Director of our Company since October 2019 and a deputy general manager of our Company since May 2013. Mr. Yang is primarily responsible for channel development and strategic planning of the supermarket operations of our Company. Mr. Yang served as the general manager in the Chengdu branch of our Group from December 2005 to April 2013 where he was responsible for business development and management of our business in Chengdu.

Prior to joining our Group, Mr. Yang worked at China 18th Metallurgical Construction Company (中國第十八冶金建設公司) from August 1996 to December 2002; No. 2 Middle School affiliated with China 18th Metallurgical Construction Company (中國第十八冶金建設公司第二子弟中學) from March 2003 to October 2003; Chongqing Dadukou District Educational Service Commission (重慶市大渡口區教委教育服務中心) from November 2003 to May 2004; a teacher at Chongqing Commerce School (重慶商務學校) from June 2004 to October 2005.

Mr. Yang received his bachelor's degree in ideological and political education through correspondence program from Chongqing Normal University (重慶師範大學) in China in June 2003.

Mr. Yang is the nephew of Mr. Deng, an executive Director of our Company and the Chairperson of the Board and Ms. Jiang, an executive Director of our Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Tan Bo (譚波), aged 42, is an executive Director and a deputy general manager of our Company and the secretary of the Board. Ms. Tan has been a Director of our Company and the secretary of the Board since May 2013 and a deputy general manager since June 2016. Ms. Tan is primarily responsible for leading the work relating to financial management of our Company and its subsidiaries, financing and investors relations management and information disclosure.

Prior to joining our Group, Ms. Tan served as the financial manager of Chongqing Changfeng Machine Manufacturing Co., Ltd. (重慶長風機械製造有限責任公司) from February 2005 to April 2010 and was responsible for management of financial matters.

She is studying executive development programs at Southwestern University of Finance and Economics (西南財經大學). She is a junior accountant of the PRC as certified by Chongqing Finance Bureau (重慶市財政局) in September 2009 and holds a certificate of secretary of board of directors granted by the SZSE in October 2020.

Non-executive Directors

Mr. Xia Bei (夏蓓), aged 32, is a non-executive Director of our Company. Mr. Xia has been a Director of our Company since July 2020. Mr. Xia is primarily responsible for providing strategic advice on the operations of our Company and participating in the decision-making of the Board.

Mr. Xia was an analyst at Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限責任公司) from August 2011 to May 2014; and an associate at Bain Capital Private Equity (Asia), LLC (貝恩投資私募股權(亞洲)有限責任公司) from July 2014 to August 2016. Mr. Xia has been an investment director at Chinese Culture (Shanghai) Equity Investment Management Co., Ltd. (華人文化(上海)股權投資管理有限公司) since September 2016.

Mr. Xia obtained his bachelor's degree in economics and finance from The University of Hong Kong in Hong Kong, China, in June 2011.

Mr. Dong Jiaxun (董佳訊), aged 48, is a non-executive Director of our Company. Mr. Dong has been a Director of our Company since July 2019. Mr. Dong is primarily responsible for providing strategic advice on the operations of our Company and participating in the decision-making of the Board.

Mr. Dong served as a director at Guangxi Xinhua Early Childhood Education Investment Co. Ltd (廣西新華幼兒教育投資有限公司) from September 2015 to May 2018, primarily responsible for strategic development and external investment; and a managing director at China Merchants Capital Management (Beijing) Co., Ltd (招商局資本管理(北京)有限公司) since October 2018, primarily responsible for investment, strategic development-related work.

Mr. Dong obtained his bachelor's degree in engineering from Zhejiang University (浙江大學) in China in June 1994.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chen Tongtong (陳彤彤), aged 43, is a non-executive Director of our Company. Mr. Chen has been a Director of our Company since September 2021. Mr. Chen is primarily responsible for providing strategic advice on the operations of our Company and participating in the decision-making of the Board.

Mr. Chen served as a senior operation expert at the supply center of the website business division of the 1688 business group of Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) (“Alibaba”) from January 2017 to April 2017, primarily responsible for increasing multi-channel sales efficiency of the factories’ goods by building a self-operated model; a researcher at the industry center of the Alibaba LST division of the B business group of Alibaba from April 2017 to December 2020, primarily responsible for improving the overall scale, growth and revenue capabilities of the Alibaba LST platform; a researcher at the C2M business division (special price page self-operated operations) of the B business group of Alibaba from December 2020 to February 2021, primarily responsible for the operations of the special price page direct sales stores; at the commodity operation research institute of Taocaicai (淘菜菜) of Alibaba from February 2021 until now, responsible for the scale and efficiency of national commodity operations; and also a researcher at Taocaicai of Alibaba from June 2021 until now, responsible for building a new digital, efficient distribution agriculture system. Before that, Mr. Chen worked at Huizhou TCL Mobile Communication Co., Ltd., Hangzhou Branch (惠州TCL移動通信有限公司杭州分公司) from November 2004 to July 2005 and work at Hefei Centimeter Information Technology Co., Ltd. (合肥厘米信息科技有限公同) from November 2015 to January 2017.

Mr. Chen graduated from Hefei University of Technology (合肥工業大學) in China in July 2000, majoring in measurement and control technology and instrumentation.

Independent Non-executive Directors

Ms. Fan Weihong (范偉紅), aged 58, was appointed as an independent non-executive Director of our Company in July 2020. Ms. Fan is primarily responsible for providing independent advice on the operations and management of our Company.

Ms. Fan served as an independent director at Chongqing Zaisheng Technology Co., Ltd. (重慶再升科技股份有限公司) (a company listed on the Shanghai Stock Exchange; stock code: 603601.SH) from April 2017 to April 2020. In addition, Ms. Fan served at Shandong Judge Training Institute (山東法官培訓學院) from January 2000 to March 2007 with her final position as a teacher, and worked as a professor at Southwest University of Political Science and Law (西南政法大學) from April 2007 to June 2019. Ms. Fan worked at Shinewing Certified Public Accountants (信永中和會計師事務所) from September 2019 to August 2021. Since August 2021 and up to the Latest Practicable Date, she worked as CPA (practising) at Beijing Guojing Huide Certified Public Accountants (General Partnership) (北京國京匯得會計師事務所(普通合夥)).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Fan received her doctoral degree of law in civil and commercial law from Southwest University of Political Science and Law (西南政法大學) in China in June 2011. Ms. Fan is a Certified Public Accountant certified by the Ministry of Finance of the PRC in April 2000 and holds a certificate of independent director granted by the Shanghai Stock Exchange in April 2017.

Ms. Liu Xiuqin (劉秀琴), aged 49, was appointed as an independent non-executive Director of our Company in July 2020. Ms. Liu is primarily responsible for providing independent advice on the operations and management of our Company.

Ms. Liu worked at Chongqing Jiangbei Fertilizer Co., Ltd. (重慶江北化肥有限公司) from October 1995 to February 2003; and Chongqing Jialing Glass Fiber Co., Ltd. (重慶嘉陵玻璃纖維有限公司) from March 2003 to March 2008. Since June 2007, Ms. Liu has served at various positions, including deputy general manager, secretary of the board, financial controller, director (since March 2011 and up to the Latest Practicable Date) and vice chairperson (since April 2020 and up to the Latest Practicable Date) of Chongqing Zaisheng Technology Co., Ltd. (重慶再升科技股份有限公司) (formerly known as Chongqing Zaisheng Technology Development Co., Ltd., a company listed on the Shanghai Stock Exchange with stock code: 603601.SH). Ms. Liu also served as a director of Panasonic Appliances Vacuum Insulation Devices (Chongqing) Co., Ltd. (松下真空節能新材料(重慶)有限公司) from September 2015 to February 2019, and was responsible for providing strategic advice. Ms. Liu has been serving as an executive director, the general manager and the legal representative of Chongqing Zaishengde Export & Import Co., Ltd. (重慶再盛德進出口貿易有限公司) since January 2016; the chairperson of the supervisory committee of Chongqing Fiber Research and Design Institute Co., Ltd. (重慶纖維研究設計院股份有限公司) since September 2015; and a director of Suzhou U-air Environmental Technology Co., Ltd. (蘇州悠遠環境科技有限公司) since June 2017 and is responsible for providing strategic advice. In addition, Ms. Liu also served as a director of Shenzhen China Textile Filters Technology Co., Ltd. (深圳中紡濾材科技有限公司) from November 2019 to June 2021 and was responsible for providing strategic advice.

Ms. Liu obtained her master's degree in business management from the School of Economics and Business Administration, Chongqing University (重慶大學經濟與工商管理學院) in China in July 2019. Ms. Liu became a senior economist as certified by Chongqing Yubei District Professional Title Reform Office (重慶市渝北區職稱改革辦公室) in May 2018 and held a certificate of independent director granted by the Shanghai Stock Exchange in July 2020. She also held a certificate of secretary of the board of directors granted by the Shanghai Stock Exchange in November 2020.

Mr. An Rui (安銳), aged 47, has served as an independent non-executive Director of our Company since July 2020. Mr. An is primarily responsible for providing independent advice on the operations and management of our Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. An worked as a project manager at Chongqing investment banking department of Southwest Securities Co., Limited (西南證券有限責任公司重慶投資銀行部) from June 2000 to December 2001; and worked at Shenwan Hongyuan Financing Services Co., Ltd. (申萬宏源證券承銷保薦有限責任公司) from April 2006 to October 2016. Mr. An has served as the general manager of Chongqing Shengzhong Investment Management Co., Ltd. (重慶生眾投資管理有限公司) since October 2016 and is responsible for private equity investment and management; and a director of Chongqing Haifu Medical Technology Co., Ltd. (重慶海扶醫療科技股份有限公司) since December 2019 and is responsible for overseeing and evaluating the work of internal and external auditors and internal control of the company as well as reviewing financial report of the company and expressing opinions on the report. He is currently a member of internal audit committee at Southwest Securities Co., Ltd. (西南證券股份有限公司) and is responsible for internal review of securities offerings.

Mr. An obtained his bachelor's degree in law from Southwest University of Political Science & Law (西南政法大學) in China in July 1997. He obtained his master's degree in law from Southwest University of Political Science & Law in June 2000. He subsequently received his doctoral degree in law from Southwest University of Political Science & Law in China in June 2012. Mr. An was a mid-level accountant certified by the Ministry of Human Resources and Social Security of the PRC and the Ministry of Finance of the PRC in September 2019. He also held a certificate of independent director granted by the Shenzhen Stock Exchange in June 2020 and a Chinese Lawyer Qualification Certificate granted by the Ministry of Justice of the PRC in July 1997.

Mr. Liu Anzhou (劉安洲), aged 35, has served as an independent non-executive Director of our Company since September 2021. Mr. Liu is primarily responsible for providing independent advice on the operations and management of our Company.

Mr. Liu worked as a senior associate at Deloitte Touche Tohmatsu in Hong Kong from October 2009 to November 2013 and was responsible for auditing the financial statements of listed companies; served as a vice president at Sailing Capital Advisors (HK) Limited (賽領投資顧問(香港)有限公司) from December 2013 to August 2016; served as a vice president of the investment department at Gold Stone Investment Co., Ltd. (金石投資有限公司) from August 2016 to November 2017; and served as the director of investment department of GSUM Real Estate Fund Management Co., Ltd. (中聯前源不動產基金管理有限公司) from December 2017 to September 2021. He has been serving as a vice president of China Merchant Bank International Financial Holding (Shenzhen) Ltd. (招銀國際金融控股(深圳)有限公司) since October 2021.

Mr. Liu obtained his bachelor's degree in economics and finance from The University of Hong Kong in July 2009. He was a PRC Certified Public Accountant (CPA) certified by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in June 2014.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

The following table shows the key information of our Supervisors:

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Position for the current tenure	Responsibilities
Ms. Yu Lixia (余利霞)	33	August 2017	December 2018	Chairperson of the Supervisory Committee, Supervisor	supervising the financial matters, the directors and senior management of our Company
Mr. Huang Hua (黃華)	41	April 2017	December 2018	Supervisor	supervising the financial matters, the directors and senior management of our Company
Mr. Wu Di (吳迪)	40	December 2020	December 2020	Supervisor	supervising the financial matters, the directors and senior management of our Company
Mr. Deng Yinmei (鄧銀美)	49	April 2015	November 2018	Employee representative Supervisor	supervising the financial matters, the directors and senior management of our Company
Mr. Chen Xiangzeng (陳向曾)	39	August 2015	July 2019	Employee representative Supervisor	supervising the financial matters, the directors and senior management of our Company

Ms. Yu Lixia (余利霞), aged 33, is the chairperson of our Supervisory Committee. Ms. Yu has served as a Supervisor of our Company since December 2018. She is primarily responsible for supervising the financial matters, the directors and senior management of our Company.

Ms. Yu served as an assistant to the chairperson of the Board of our Company from August 2017 to May 2018, and has been serving as the deputy director of the administrative department of our Company since May 2018.

Prior to joining our Group, Ms. Yu worked as a salesperson in Chongqing Green Agricultural Products Co., Ltd. (重慶綠果農產品有限公司) (now known as Chongqing Green Commerce Co., Ltd. (重慶綠果香商貿有限公司)) from October 2009 to November 2012; and the legal representative and president of Chongqing Changshou District Jiuwu Fruit Cooperative (重慶市長壽區九五水果專業合作社) (currently known as Chongqing Changshou District Jiuwu Agricultural-Breeding Cooperative (重慶市長壽區九五種養殖專業合作社)) from December 2012 to December 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Yu obtained her college degree (大專文憑) in computer science from Chongqing University of Posts and Telecommunications (重慶郵電大學) in China in July 2010.

Mr. Huang Hua (黃華), aged 41, is a Supervisor of our Company. Mr. Huang has served as a Supervisor of our Company since December 2018. He is primarily responsible for supervising the financial matters, the directors and senior management of our Company.

Mr. Huang has been serving as the deputy director of the planning division of corporate planning center of our Company since June 2017, and is primarily responsible for brand design and marketing planning of our Company as well as the overall management of the department. He also served as the deputy general manager of Chengdu branch of our Company from April 2017 to May 2017, and was in charge of management of operations.

Prior to joining our Group, Mr. Huang worked as the manager of the human resources and administration department of Chongqing Green Agricultural Products Co., Ltd. (now known as Chongqing Green Commerce Co., Ltd.) from August 2014 to March 2017, and was responsible for operations of the department.

Mr. Huang obtained his college degree (大專文憑) in traditional Chinese medicine from Chengdu University of Traditional Chinese Medicine (成都中醫藥大學) in China in June 2005.

Mr. Wu Di (吳迪), aged 40, is a Supervisor. Mr. Wu has served as a Supervisor since December 2020. He is primarily responsible for supervising the financial matters, the directors and senior management of our Company.

Prior to joining our Group, Mr. Wu worked at Guangdong Zhuoxin Law Firm (廣東卓信律師事務所) from January 2006 to October 2011; at Hainan Nongken Livestock Group Co., Ltd. (海南農墾畜牧集團股份有限公司) from November 2011 to August 2013; at Hainan Ocean Development Co., Ltd. (海南省海洋發展有限公司) from October 2013 to June 2016; and at Hainan Financial Holdings Co., Ltd. (海南金融控股股份有限公司) from July 2016 to April 2017. He has been serving as the person in charge of compliance and risk management of Hainan Nongken Equity Investment Fund Management Co., Ltd. (海南農墾基金管理有限公司) since July 2017.

Mr. Wu obtained his bachelor's degree in computer science from The Army Infantry Academy of People's Liberation Army (中國人民解放軍石家莊機械化步兵學院) in China in June 2005 and obtained his bachelor's degree in law through self-taught higher education examinations from Nanjing Army Command College of People's Liberation Army (中國人民解放軍南京陸軍指揮學院) in China in June 2006. He held a qualification certificate of securities industry practitioner granted by the Securities Association of China (中國證券業協會) in June 2015 and a certificate of independent director granted by the SZSE in April 2019. He also completed the Science and Technology Innovation Board of Shanghai Stock Exchange independent director video course study in November 2019.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Deng Yinmei (鄧銀美), aged 49, is an employee representative Supervisor. Mr. Deng has served as a Supervisor of our Company since November 2018. He is primarily responsible for supervising the financial matters, the directors and senior management of our Company. Mr. Deng has served as the deputy director of the operations management department of our Company since April 2015 and is responsible for its daily management and operation.

Prior to joining our Group, Mr. Deng worked at Chongqing Xiaokang Automobile Transmission Co., Ltd. (重慶小康汽車變速器有限公司) from December 2013 to September 2014.

Mr. Deng obtained his college degree (大專文憑) in enterprise management from Hunan Huangpu Foreign College (湖南黃埔外語學院) in China in April 1998.

Mr. Chen Xiangzeng (陳向曾), aged 39, is an employee representative Supervisor. Mr. Chen has served as a Supervisor of our Company since July 2019. He is primarily responsible for supervising the financial matters, the directors and senior management of our Company. Mr. Chen served as a manager of the enterprise planning department of our Company from August 2015 to January 2017. He has been serving as the deputy director of the planning and operating department of our Company since January 2017 and is responsible for its daily management.

Prior to joining our Group, Mr. Chen worked at Chongqing Xindaxing Industry (Group) Co., Ltd. (重慶市新大興實業(集團)有限公司) from March 2004 to May 2005.

Mr. Chen obtained his diploma (中專文憑) in land management from Fuling Agricultural School (涪陵農校) in China in June 2001.

SENIOR MANAGEMENT

The following table shows the key information of the members of our senior management:

Name	Age	Date of joining our Group	Date of appointment as Senior Management	Position for the current tenure	Responsibilities
Ms. Jiang Zongying (江宗英)	51	October 2002	January 2014	Executive Director, General Manager	overseeing the operations and management of our Company
Mr. Peng He (彭何)	52	February 2015	February 2015	Executive Director, Executive Deputy General Manager	overseeing the operations and management of our Company
Mr. Yang Junwen (楊俊文) . . .	48	March 2005	September 2013	Executive Director, Deputy General Manager	channel development and strategic planning of the supermarket operations of our Company

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Senior Management	Position for the current tenure	Responsibilities
Ms. Tan Bo (譚波)	42	May 2010	May 2010	Executive Director, Deputy General Manager, Secretary to the Board	leading the works relating to finance management of our Company and its subsidiaries, financing and investors relations management and information disclosure
Ms. Xiang Min (向敏)	51	March 2016	May 2018	Chief Financial Officer	overseeing overall financial matters of our Company

Ms. Jiang Zongying (江宗英), aged 51, is an executive Director and the general manager of our Company. For the biography of Ms. Jiang, please refer to “— Directors — Executive Directors” of this section.

Mr. Peng He (彭何), aged 52, is an executive Director and an executive deputy general manager of our Company. For the biography of Mr. Peng, please refer to “— Directors — Executive Directors” of this section.

Mr. Yang Junwen (楊俊文), aged 48, is an executive Director and a deputy general manager of our Company. For the biography of Mr. Yang, please refer to “— Directors — Executive Directors” of this section.

Ms. Tan Bo (譚波), aged 42, is an executive Director, a deputy general manager of our Company and the secretary to the Board. For the biography of Ms. Tan, please refer to “— Directors — Executive Directors” of this section.

Ms. Xiang Min (向敏), aged 51, is the Chief Financial Officer of our Group. Ms. Xiang was the deputy chief financial officer of our Company from March 2016 to May 2018, and has been the chief financial officer of our Company since May 2018. Ms. Xiang is primarily responsible for overseeing overall financial matters of our Company.

Prior to joining our Group, Ms. Xiang worked at Chongqing Guanshengyuan Food Manufacturing Co., Ltd. (重慶冠生園食品工業有限公司) from December 2003 to November 2007; at Chongqing Tiansheng Yudu Real Estate Consulting Co., Ltd. (重慶天晟渝都房地產顧問有限公司) from December 2007 to July 2010 and from January 2011 to March 2016.

Ms. Xiang obtained her bachelor’s degree in accounting from Yuzhou University (渝州大學) in China in July 1995. She holds a junior accountant certificate granted by Chongqing High & New Technology Industry Development Zone Finance Bureau (重慶高新技術產業開發區財政局) in August 2005.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed above, none of our Directors, Supervisors and members of senior management held any directorship in any public companies, the shares of which are listed in Hong Kong or overseas stock markets, during the three years prior to the date of this Prospectus.

As of the Latest Practicable Date: (i) save as disclosed in this section, none of our Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business that requires disclosure under Rule 8.10 of the Hong Kong Listing Rules; (ii) save as disclosed above, none of our Directors, Supervisors or members of the senior management of the Company is related to any other Directors, Supervisors and members of the senior management; and (iii) save as disclosed in “Appendix VI — Statutory and General Information” to this Prospectus, none of our Directors, Supervisors or members of the senior management holds any interest in the Shares which would be required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance.

JOINT COMPANY SECRETARIES

Ms. Deng Haoyu (鄧浩宇), aged 24, was appointed as a joint company secretary of the Company on August 21, 2021. She joined our Group in April 2020 and served as the Chairperson assistant from April 2020 to April 2021, responsible for assisting the daily administrative matters as assigned by the Chairperson. She has been serving as the director of the Board office since April 2021 and is responsible for investor relationship management, corporate governance and shareholding management as assigned by the Board and the Chairperson of the Board. Ms. Deng Haoyu is the daughter of Mr. Deng, an executive Director of our Company and the Chairperson of the Board and Ms. Jiang, an executive Director of our Company.

Ms. Deng obtained her bachelor’s degree in Economics in International Economics and Trade (in Japanese) from Shanghai International Studies University (上海外國語大學) in Shanghai in June 2019, and her master’s degree in management from the Durham University in the United Kingdom in January 2021.

Ms. Lai Siu Kuen (黎少娟), was appointed as a joint company secretary of the Company on August 21, 2021. Ms. Lai is a Director of Corporate Services of Tricor Services Limited, an Asia’s leading business expansion specialist specializing in the provision of integrated Business, Corporate and Investor Services. Ms. Lai has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lai is a Chartered Secretary and a fellow of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly “The Hong Kong Institute of Chartered Secretaries”) and fellow of The Chartered Governance Institute (CGI) (formerly “The Institute of Chartered Secretaries and Administrators”). Ms. Lai is currently the company secretary or joint company secretary of certain companies, including: Shanghai Junshi Biosciences Co., Ltd. (stock code: 1877),

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Pujiang International Group Limited (stock code: 2060), Yangtze Optical Fibre and Cable Joint Stock Limited Company (stock code: 6869) and CGN Mining Company Limited (stock code: 1164), the shares of which are all listed on the Main Board of the Stock Exchange.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Set out below are interests of Mr. Chen Tongtong (“**Mr. Chen**”), a non-executive Director, in businesses which may compete with our business for the purpose of Rule 8.10(2) of the Listing Rules as of the Latest Practicable Date.

Name of Director	Name of Company	Position
Mr. Chen	Shanghai Fengyun Internet Technology Co., Ltd. (上海蜂耘網絡科技有限公司) (“ Shanghai Fengyun ”)	Legal representative, executive director and general manager
	Shanghai Jixiangheyi Technology Co., Ltd. (上海 集祥盒意技術有限公司) (“ Shanghai Jixiangheyi ”)	Legal representative, executive director and general manager

Shanghai Fengyun serves the construction of Alibaba Group Holding Limited (“**Alibaba Group**”) fresh fruit supply system by establishing an end-to-end supply chain of fresh fruits from the place of origin to the place of sale, while Shanghai Jixiangheyi engages in community group buying business and its main customers are end consumers (collectively, the “**Relevant Businesses**”). Our Directors are of the view that there is neither any substantial competition between the business of our Company and the Relevant Businesses, nor any material conflict of interests arising from Mr. Chen’s position in Shanghai Fengyun or Shanghai Jixiangheyi for the following reasons:

- (i) ***Different emphasis on business models and target customers.*** The business model of each of the Relevant Businesses has different emphasis from that of our Group in terms of, among others, business model, target customers and operational structure. We focus on the entire industry supply chain operations for quality fruits from China, Thailand and Vietnam. We have established an extensive sales and distribution network nationwide to reach customers of different demographics. As of May 31, 2022, we had 19 sales branches and 60 sorting centers across China. Such sales branches function as frontline sales grids covering 300 cities. We strategically locate our sales branches in local wholesale fruit markets to maximize their service radius. Our terminal wholesalers channel accounted for 51.1%, 52.7%, 53.3% and 57.1%, respectively, of our total revenue for the three years ended December 31, 2021 and the five months ended May 31, 2022. Our entire emerging retailers channel (represented by community group buying, community-based fresh-food chain stores and on-demand e-commerce) accounted for 22.7%, 17.4%, 20.7% and 20.7%, respectively, of our total revenue for the three years ended December 31, 2021 and the five months ended May 31, 2022.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

However, Shanghai Fengyun is a member of the agricultural digitalization business segment of Alibaba Group which primarily serves the internal supply chain channel of Alibaba Group and its subsidiaries. Our sales to entities controlled by Alibaba Group only accounted for 3.55%, 3.92%, 3.78% and 2.88%, respectively, of our total revenue for the three years ended December 31, 2021 and the five months ended May 31, 2022. Meanwhile, Shanghai Jixiangheyi is a member of Taocaicai of Alibaba Group, which primarily focuses on community group buying business and its target and major customers are end consumers.

- (ii) *No material conflict of interest.* Mr. Chen is an executive director and general manager of each of Shanghai Fengyun and Shanghai Jixiangheyi. He is a non-executive Director of our Company, primarily responsible for providing strategic advice on the operations of our Company and participating in the decision-making of the Board. Mr. Chen is not involved in the day-to-day management of the operations of our Group and is also aware of his fiduciary duties as a Director which require, among other things, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. In the event that there is a potential conflict of interest arising out of Mr. Chen's positions held in the Relevant Businesses, Mr. Chen shall abstain from voting on any resolutions of our Board approving any contract or arrangement or any other proposal in which he has a material interest and shall not be counted in the quorum present at the relevant meeting of our Board.

Save as disclosed above, our Directors, including our independent non-executive Directors, are of the view that to the best of their knowledge and belief after making reasonable enquiries, none of our Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group, which would require disclosure under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

FURTHER INFORMATION IN RELATION TO THE DIRECTORS

Tongyi Small Loan

Under Rule 13.51(2)(1) of the Listing Rules, a director must disclose his/her directorship in any company which has been dissolved or put into liquidation (otherwise than by a member's voluntary winding-up) or bankruptcy or been the subject of analogous proceeding during the period when he/she was one of its directors.

Chongqing Liangjiang New Area Tongyi Small Loan Co., Ltd. (重慶兩江新區同誼小額貸款有限公司) (“**Tongyi Small Loan**”) was established as a limited liability company under the laws of the PRC on October 23, 2013 with a registered capital of RMB700 million. Mr. Deng (an executive Director and one of the Controlling Shareholders) has been a director and deputy chairman of Tongyi Small Loan since October 2013 but was not responsible for its daily operations and management. As of the Latest Practicable Date, Chongqing Changshou

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

District Jiuwu Agricultural-Breeding Cooperative (重慶市長壽區九五種養殖專業合作社) (“**Nine-Five**”) held a minority investment in Tongyi Small Loan, representing approximately 7.1429% of its equity interest. The remaining equity interest of Tongyi Small Loan was held by other 25 shareholders which are Independent Third Parties.

In January 2019, considering the stringent regulatory environment of the small loan business in the PRC, the shareholders of Tongyi Small Loan resolved to dissolve Tongyi Small Loan voluntarily by shareholders’ resolutions (the “**Shareholders’ Resolutions**”). Pursuant to the Shareholders’ Resolutions, the then shareholders of Tongyi Small Loan approved, among others, (i) the dissolution and liquidation of Tongyi Small Loan (the “**Voluntary Liquidation**”); and (ii) appointment of the liquidation group (the “**Liquidation Group**”), which was composed of Nine-Five and six other shareholders of Tongyi Small Loan.

As certain shareholders of Tongyi Small Loan failed to reach consensus of, among others, the distribution plan of the remaining assets of Tongyi Small Loan, the Voluntary Liquidation pursuant to the Shareholders’ Resolutions had been unable to proceed in a timely manner. Consequently, on October 20, 2020, certain shareholders of Tongyi Small Loan (primarily the members of the Liquidation Group) (the “**Applicants**”) applied to Chongqing No. 5 Intermediate People’s Court (the “**Court**”) for mandatory liquidation of Tongyi Small Loan (the “**Mandatory Liquidation Petition**”). On December 23, 2020, in order to expedite the liquidation process of Tongyi Small Loan and to avoid unnecessary losses of Tongyi Small Loan, its creditors and the relevant stakeholders, the Court accepted the Mandatory Liquidation Petition. On January 12, 2021, the Court appointed the mandatory liquidation group (the “**Mandatory Liquidation Group**”) which comprised the Applicants and a representative of Tongyi Small Loan. As of the Latest Practicable Date, Tongyi Small Loan was in the process of mandatory liquidation (the “**Mandatory Liquidation**”).

The Voluntary Liquidation, being solely a commercial decision of the then shareholders of the Tongyi Small Loan (as opposed to any wrongdoing of the management of Tongyi Small Loan including Mr. Deng), was by a members’ voluntary winding up through the Shareholders Resolutions and Tongyi Small Loan was solvent at the time of the Shareholders Resolutions. The Mandatory Liquidation Petition was filed by the then shareholders of the Tongyi Small Loan for the purpose of accelerating the process of the Voluntary Liquidation and was not filed by creditors of Tongyi Small Loan. In addition, no receiver, trustee, administrator or similar officers were appointed under the Mandatory Liquidation and the members of the Mandatory Liquidation Group are the Applicants who are shareholders of Tongyi Small Loan and a representative of Tongyi Small Loan.

As advised by the PRC Legal Advisers, (a) under the laws of the PRC, mandatory liquidation is a proceeding under the PRC Company Law for the purpose of dissolving an entity, which should be differentiated from bankruptcy liquidation under the Corporate Bankruptcy Law, and an entity in the process of mandatory liquidation is not an indication that such entity is insolvent; and (b) in the event that an entity in the mandatory liquidation process is found to be insolvent, a bankruptcy liquidation process will be directed to commence. As of

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

the date hereof, Tongyi Small Loan is still in the process of mandatory liquidation and has not been directed to enter into the bankruptcy liquidation process, and the Company noted no indication that Tongyi Small Loan will be found insolvent to the best of its knowledge having made reasonable enquiries.

Upon establishment of Tongyi Small Loan on October 23, 2013, the Company was a shareholder of Tongyi Small Loan holding 7.14286% of its equity interest. To focus on the principal business of the Company, in July 2016, the Company transferred its entire shareholding of 7.14286% equity interests in Tongyi Small Loan to Nine-Five at the consideration of RMB50.0 million, which equals to 7.14286% of the paid-up registered capital in Tongyi Small Loan.

On January 4, 2015, Tongyi Small Loan and Hanhua Financing Guarantee Co., Ltd. (瀚華融資擔保股份有限公司) (“**Hanhua Guarantee**”) entered into a maximum amount financing guarantee entrustment contract (the “**Guarantee Contract**”), pursuant to which Hanhua Guarantee agreed to provide guarantee for the principal amount and interest of financing facility to Tongyi Small Loan in an amount of up to RMB20.0 million facilities (the “**Facilities**”) to Tongyi Small Loan. In order to support the business of Tongyi Small Loan with the Facilities, on January 5, 2015, (i) the largest shareholder of Tongyi Small Loan which held 24.28571% equity interests in Tongyi Small Loan, (ii) the Company and four other shareholders of Tongyi Small Loan, each held 7.14286% equity interests in Tongyi Small Loan, (iii) the chairman of Tongyi Small Loan and the controlling shareholder of the largest shareholder of Tongyi Small Loan; and (iv) the general manger and legal representative of Tongyi Small Loan (the “**Counter-Guarantors**”) entered into in a maximum amount counter-guarantee contract with Hanhua Guarantee, respectively (collectively, the “**Counter-Guarantee Contracts**”), pursuant to which the Counter-Guarantors agreed to provide joint and several liability counter-guarantee to Hanhua Guarantee in respect of its liabilities under the Guarantee Contract. On January 14, 2015, Chongqing Hanhua Small Loan Co., Ltd. (重慶市瀚華小額貸款有限責任公司) (“**Hanhua Small Loan**”), Tongyi Small Loan and Hanhua Guarantee entered into a loan agreement, pursuant to which Tongyi Small Loan borrowed RMB20.0 million from Hanhua Small Loan with an interest rate of 8.0% per annum, repayable in six months (the “**Loan**”) and Hanhua Guarantee shall provide joint and several liability guarantee for the Loan.

As Tongyi Small Loan did not fully repay the Loan to Hanhua Small Loan pursuant to the Loan Agreement, Hanhua Guarantee repaid the Loan with interest to Hanhua Small Loan pursuant to the Loan Agreement and filed a lawsuit to the People’s Court of Chongqing Yubei District (the “**Yubei District Court**”) on September 24, 2015, demanding Tongyi Small Loan to repay the outstanding Loan in the amount of RMB19,153,357.6 with interest pursuant to the Guarantee Contract and applied to the Yubei District Court that the Counter-Guarantors to be jointly and severally liable pursuant to the Counter-Guarantee Contracts.

Pursuant to the judgment rendered by the Yubei District Court on September 20, 2016 (the “**Judgment**”), it was ordered that Tongyi Small Loan shall repay RMB19,153,357.6 with interest to Hanhua Guarantee and the Counter-Guarantors (including the Company) shall be

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

jointly and severally liable. As Hanhua Guarantee applied an order to freeze the bank accounts of the Company pursuant to the Judgment, for the purpose of ensuring the normal business operations of the Company and protecting the interest of other shareholders of the Company, among others, Mr. Deng, the Company and Hanhua Guarantee entered into an enforcement settlement agreement on November 9, 2017 (the “**Enforcement Settlement Agreement**”), pursuant to which Hanhua Guarantee transferred all its creditor’s interest under the Judgment to Mr. Deng in the amount of RMB18.0 million, which has been fully settled by Mr. Deng as of July 3, 2018 and the transfer of creditor’s interest under the Judgment from Hanhua Guarantee to Mr. Deng pursuant to the Enforcement Settlement Agreement became effective. On November 10, 2017, Hanhua Guarantee issued a letter of discharge of guarantee liabilities to the Company, pursuant to which Hanhua Guarantee waived the Company’s guarantee liability under the Judgment. On December 12, 2018, the Yubei District Court changed the enforcement applicant of the Judgment from Hanhua Guarantee to Mr. Deng pursuant to the application of Mr. Deng in light of the Enforcement Settlement Agreement. In addition, Mr. Deng also issued a letter to the Company dated July 23, 2018 (“**Mr. Deng’s Letter**”), which confirmed that he waived the Company’s guarantee liability under the Judgment and he will discharge the portion of guarantee liability that may be borne by the Company if other Counter-Guarantors claim joint and several liability against the Company, so as to ensure the Company will not bear the risk of being claimed for the liabilities under the Judgment. On March 28, 2022, Mr. Deng, as the enforcement applicant under the Judgment, applied to the Yubei District Court to resume the enforcement process under the Judgment against the Counter-Guarantors excluding the Company. As at the Latest Practicable Date, the Judgment is still in the process of enforcement. On April 1, 2022, pursuant to the application by Mr. Deng, the Yubei District Court issued a confirmation (the “**Confirmation**”) that as Mr. Deng and the Company have reached a settlement, Mr. Deng, as the enforcement applicant of the Judgment, has waived his creditor’s interest against the Company and has withdrawn the enforcement application under the Judgment against the Company, and as a result, the Company ceased to have any legal obligation under the Judgment.

As advised by our PRC Legal Advisers, taking into account the relevant circumstances around the Loan, the relevant guarantee and counter-guarantee arrangements, the Judgment, the Enforcement Settlement Agreement, Mr. Deng’s Letter and the Confirmation, the likelihood that the Company will be bore for the losses under the Judgment is remote.

As of the Latest Practicable Date, save as disclosed above, there is no additional matter with respect to the appointment of our Directors or Supervisors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to our Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Loan Incident

In 2015, through the introduction of Chongqing Lvyou Guarantee Co., Ltd. (重慶旅遊融資擔保有限公司) (“**Lvyou Guarantee**”), we borrowed a principal amount of RMB15.0 million with an interest rate of 10.0% per annum (the “**2015 Loan**”) from a peer-to-peer (“**P2P**”) platform owned and operated by Chongqing Hualong Wenhui Information Technology Services Co., Ltd. (重慶華龍文惠信息技術服務有限公司) (“**Hualong Wenhui**”) whereas Lvyou Guarantee provided a joint and several guarantee liability guarantee thereunder.

Chongqing Lv Guo Xiang Shangmao Co., Ltd. (重慶綠果香商貿有限公司) (“**Lv Guo Xiang**”), a company controlled by Ms. Jiang, entered into a loan agreement with Chongqing Canghuan Shangmao Co., Ltd. (重慶滄桓商貿有限公司) (“**Canghuan**”) and Liu Heng (劉恒) (the “**2015 Lending Agreement**”) using a part of the 2015 Loan, pursuant to which (i) Canghuan borrowed RMB6.4 million from Lv Guo Xiang with an interest rate of 24.0% per annum (the “**2015 Lending**”), which was repayable within one year; and (ii) Liu Heng provided a joint and several liability guarantee thereunder. To the best knowledge of our Company, both Canghuan and Lvyou Guarantee were under the control of Liu Heng. In fact, prior to the 2015 Loan and 2015 Lending, Lvyou Guarantee approached us with a business proposal, pursuant to which we would borrow money from Hualong Wenhui, and Lvyou Guarantee would provide guarantees for the borrowing. We agreed that upon receipt of the loans, a related party of us would make a subsequent loan of RMB7.5 million out of the 2015 Loan to an affiliated company of Lvyou Guarantee, i.e., Canghuan. After deducting relevant transaction fees related to the 2015 Loan, Lv Guo Xiang actually lent RMB6.4 million to Canghuan. At the relevant time, Hualong Wenhui was fully aware of such business arrangements prior to the 2015 Loan. After reviewing agreements of the 2015 Loan, our litigation counsel is of the view that we were not obliged to disclose information directly to public investors, whereas the platform was under such obligation. In addition to the 2015 Lending, we used the proceeds from the 2015 Loan to replenish our working capital and support business expansions. In late 2015, we arranged a business trip to Thailand primarily for certain lenders and other potential investors to facilitate post-borrowing or pre-investment due diligence and exhibiting our business development and operation status. We (including our affiliates) have no current or past relationship, including employment, financing, family or otherwise, with Canghuan and Lvyou Guarantee or Hualong Wenhui (including their directors, shareholders and senior management, and their respective associates), except for the aforementioned borrowing and guarantee arrangements.

According to Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC, enterprises are prohibited from engaging in borrowing and lending or borrowing and lending in a disguised manner in violation of laws and regulations. Further, pursuant to Article 73 of the General Lending Provisions, the PBOC may impose administrative fines against the non-compliant lender between one and five times the income received by the lender from such loans. According to the Provisions of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (Second Revision in 2020) (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定(2020 第二次修正)》) (the “**Provisions**”), except under the circumstances as set forth in the Civil Code (《民法典》) and the Provisions, the people’s court shall support a claim for the validity of a private lending

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

contract entered into by legal persons and other organizations for the purpose of production or business operation. Our Directors confirmed that (i) the 2015 Lending did not involve any such circumstances as set forth in the Civil Code or the Provisions; (ii) the 2015 Lending loan was for the purposes of business operations of Canghuan, and the creditor's interests have been subsequently transferred to Hualong Wenhui; and (iii) we had not received any notice of claim or penalty relating to such provision of loan from any relevant authority. In addition, in commercial setting, it is not uncommon for non-financial institutions to extend loans to each other for the purpose of business operations or other private purposes. In practice, the PBOC seldom imposes administrative penalties pursuant to the General Lending Provisions, when the loan between non-financial institutions is not for the purposes of conducting lending business.

Considering the aforementioned factors and the confirmation by the Directors, our PRC Legal Advisers are of the view that, as to the 2015 Lending, the likelihood for the company being penalized under the General Lending Provisions and therefore constitute material adverse legal consequences is remote.

Apart from the 2015 Lending, we made interest-bearing loans to companies controlled by Mr. Deng to better utilize surplus cash prior to the Track Record Period, such as the loans made to Chongqing Changshou District Jiuwu Agricultural-Breeding Cooperative (重慶市長壽區九五種植養殖專業合作社) prior to the Track Record Period. See “Business — Non-compliance Incidents — Interest-bearing loans made to related entity” for more details. During the Track Record Period and up to the Latest Practicable Date, we and our Controlling Shareholders have not made, does not plan to make, any loans to a third party or a related party.

In August 2016, we fully repaid the 2015 Loan. However, Canghuan and Liu Heng failed to perform their respective obligations under the 2015 Lending Agreement on time, and Lv Guo Xiang had a creditor's interest against Canghuan and Liu Heng for RMB6.4 million in principal plus an interest of RMB2.5 million.

In August 2016, we borrowed a total amount of RMB13.0 million in principal and RMB0.7 million in interest as of the date of repayment from Hualong Wenhui (the “**2016 Loan**”) to supplement our liquidity and capital resources, including the business expansion in Thailand and the repayment of 2015 Loan. We issued a statement on November 11, 2016 to clarify the respective amount payable by ourselves and Lvyou Guarantee.

Taking into account (i) Lv Guo Xiang's creditor interest against Canghuan and Liu Heng under the 2015 Lending; (ii) we were under the control of Mr. Deng and Ms. Jiang in 2015; and (iii) Lv Guo Xiang was under the control of Ms. Jiang, relevant parties (including Hualong Wenhui, Lv Guo Xiang, Lvyou Guarantee, Canghuan, Liu Heng and us) agreed that Lv Guo Xiang would transfer its creditor interest against Canghuan and Liuheng under the 2015 Lending Agreement to Hualong Wenhui to offset a portion of our outstanding loan owed to Hualong Wenhui (the “**Outstanding Loan**”). Upon such arrangement, we proceeded to repay the 2016 Loan before its maturity and repaid RMB4.8 million to Hualong Wenhui in March 2017. Subsequently, Hualong Wenhui issued a statement confirming that our repayment obligation was settled and Hualong Wenhui would not pursue the Outstanding Loan from us in any form and discharge us from all liabilities.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In August 2018, Canghuan and Liu Heng failed to fulfill their repayment obligations for the Outstanding Loan and Hualong Wenhui filed lawsuits against us to the No. 1 Intermediate People's Court of Chongqing City in the PRC (the “**No. 1 Intermediate Court**”), demanding us to repay the Outstanding Loan. The No. 1 Intermediate Court found that Hualong Wenhui's assertions were baseless and unsupported, and ruled in favour of us that we have no outstanding repayment obligations owed to Hualong Wenhui (the “**No. 1 Intermediate Court Judgement**”). Hualong Wenhui was dissatisfied with the No. 1 Intermediate Court Judgement and appealed to the Higher People's Court of Chongqing City in the PRC (the “**Higher Court**”), demanding us to repay the Outstanding Loan and alleging us committed a contract fraud, alleging that we have colluded with Lvyou Guarantee to defraud a loan. The Higher Court reviewed the case and found that the alleged contract fraud was lack of factual clarity and evidence. The Higher Court further rejected the appeal and sustained the No. 1 Intermediate Court Judgement in December 2019. Hualong Wenhui further moved for retrial in the Supreme People's Court of the PRC (the “**Supreme Court**”). The Supreme Court reviewed the case and held that, Hualong Wenhui had effectively waived our repayment obligation and we do not owe any outstanding amount to Hualong Wenhui. The Supreme Court denied the motion for retrial in October 2020.

After the motion for retrial was denied, Hualong Wenhui filed a case with the Liangjiang New Area Branch of Chongqing Municipal Public Security Bureau (重慶市公安局兩江新區分局), accusing us of contract fraud. Subsequent to a series of investigations, in March 2021, the Liangjiang New Area Branch of Chongqing Municipal Public Security Bureau decided not to pursue the case against us due to lack of criminal facts.

As of the Latest Practicable Date, we were not informed of any investigations or case filings by the Chongqing Public Security Bureau (重慶市公安局), nor did we receive or identify any such notice. In particular, we have telephoned and visited the Liang Jiang Branch of Economic Crime Investigation Bureau of Chongqing (重慶市公安局兩江新區分局經濟犯罪偵查支隊) and obtained a negative response to our inquiry as to whether there are any ongoing investigations or case filings against us. In addition, according to the Certification issued by the Wan'an Police Station of Shizhu Public Security Bureau (石柱縣公安局萬安派出所), there is no criminal filings, case filing, acceptance or investigation or criminal offense related to us in the PRC after inquiring the Public Security Internal Information Network (公安內網系統). As advised by our litigation counsel, Chongqing Sound Law Firm, they are of the view that: (i) the likelihood of us being subject to the repayment obligation under the Outstanding Loan is remote; and (ii) the likelihood of us being found criminally liable for contract fraud is remote.

Based on the foregoing and the fact that none of our Directors has ever been subject to any investigations and/or penalties imposed by any authority in the PRC or Hong Kong, we are of the view that the aforementioned facts did not involve any act of dishonesty, fraud, or wrongful act committed on his/her part or cast doubt on the suitability (including the integrity) of our Directors.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

To assess whether the aforementioned facts have any impact on the suitability of the Company's Directors, the Sole Sponsor has conducted the following due diligence: (i) reviewed loan agreements and bank statements relating to the loan incident; (ii) reviewed documents relating to the lawsuits and case filed by Hualong Wenhui, including the judgments issued by the No. 1 Intermediate Court, the Higher Court and the Supreme Court and decision on case withdrawal issued by the Liangjiang New Area Branch of Chongqing Municipal Public Security Bureau; (iii) reviewed the legal opinion prepared by the Company's litigation counsel; (iv) discussed with the management of the Company to understand, among other things, the background and the details of the loan incident; (v) conducted interview with the then employee of Lvyou Guarantee and certain participants who attend the 2015 trip to Thailand, and reviewed documents relating to the 2015 trip to understand the background and the details of the loan incident and 2015 trip; and (vi) reviewed the Certification aforementioned and also attended the Company's consultation with the governmental authority to ascertain that there was no ongoing criminal investigations or case filings against the Company. Taking into account the due diligence conducted as described above, nothing has come to the Sole Sponsor's attention that would reasonably cause the Sole Sponsor to disagree with the Company's view above.

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees, in accordance with relevant PRC laws, regulations, the Articles and the Hong Kong Listing Rules, namely the Strategic and Investment Committee, the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee.

Strategic and Investment Decision Committee

The Strategic and Investment Committee consists of three Directors, namely Mr. Deng Hongjiu, Mr. An Rui and Mr. Yang Junwen. Mr. Deng Hongjiu serves as the chairperson of the committee. The primary responsibilities of the Strategic and Investment Committee are to study and advise on the long-term strategy and major investments and financing plans of our Group as well as other matters authorized by the Board.

Audit Committee

The Audit Committee consists of three Directors, namely Ms. Fan Weihong, Mr. An Rui and Ms. Liu Xiuqin. Ms. Fan Weihong serves as the chairperson of the committee. The primary responsibilities of the Audit Committee are to review, supervise and coordinate the external and internal audit process, propose the engagement or replacement of the external auditors, review the financial information and its disclosure as well as the internal control system of our Group, and other matters authorized by the Board. Ms. Fan Weihong, being the chairperson of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of three Directors, namely Mr. An Rui, Mr. Liu Anzhou and Ms. Tan Bo. Mr. Liu Anzhou serves as the chairperson of the committee. The primary responsibilities of the Remuneration and Evaluation Committee are to review and make recommendations to the Board regarding the annual performance of our Directors and senior management, the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management, and other matters authorized by the Board.

Nomination Committee

The Nomination Committee consists of three Directors, namely Mr. An Rui, Ms. Liu Xiuqin and Ms. Jiang Zongying. Mr. An Rui serves as the chairperson of the committee. The primary responsibilities of the Nomination Committee are to make recommendations to the Board regarding the appointment of Directors and senior management, the related criteria and procedures of the appointment and other matters authorized by the Board.

CORPORATE GOVERNANCE

Our Company is committed to achieving a high standard of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules after the Listing.

BOARD DIVERSITY

We have adopted a board diversity policy which sets out the approach to achieve and maintain diversity in our Board. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on value and contributions that the candidates will bring to our Board.

The Nomination Committee is responsible for reviewing the diversity of the Board. After the Listing, the Nomination Committee will monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management receive their remuneration in the form of salary and allowances, retirement scheme contributions, discretionary bonuses and share-based payments.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the total remuneration for our Directors amounted to RMB8.9 million, RMB5.0 million, RMB3.2 million and RMB1.4 million, respectively.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the total remuneration for our Supervisors amounted to RMB0.5 million, RMB0.9 million, RMB1.0 million and RMB0.5 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration payable to our Directors and Supervisors is expected to be approximately RMB5.1 million for the year ending December 31, 2022. The remuneration of Directors and Supervisors consists of salary and allowances, retirement scheme contributions, discretionary bonuses, and share-based payments, which are determined based on the evaluation of each Director's and Supervisor's individual performance and market trends in 2022. The actual remuneration of Directors and Supervisors in 2022 may be different from the expected remuneration.

The total emoluments for the five highest paid individuals amounted to RMB8.6 million, RMB4.6 million, RMB2.8 million and RMB1.2 million, respectively, for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, no payment was made by us to any of our Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. None of our Directors or Supervisors waived their remuneration during the Track Record Period.

The remuneration of Directors, Supervisors and senior management is determined with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities of our Directors, Supervisors and senior management, employment conditions of other positions in our Company and the desirability of performance-based remuneration.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

Our Company has appointed Red Sun Capital Limited as the compliance adviser upon Listing in compliance with Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. Our compliance adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise our Company in certain circumstances including:

- before the publication of any regulatory announcement, circular, or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issuance and share repurchase;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, development or results deviate from any forecast, estimate or other information in this Prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Meanwhile, pursuant to Rule 19A.06(3) of the Listing Rules, the compliance adviser shall inform us in a timely manner of any amendment or supplement to the Hong Kong Listing Rules issued by the Hong Kong Stock Exchange from time to time and any new or amended law, regulation or code in Hong Kong applicable to our Company. The compliance adviser shall also provide advice to us on the continuing requirements under the Hong Kong Listing Rules and applicable laws and regulations.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date of distribution of the annual report of the financial results of our Group for the first full financial year commencing after the Listing Date or on the date of the termination of the contract, whichever is earlier.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, the following persons directly or indirectly held, or are entitled to exercise the control of 5% or more of our share capital:

Name of Shareholder	Nature of interest	Number and class of Shares held or interested in	Approximate percentage of shareholding
Mr. Deng ⁽¹⁾⁽²⁾	Beneficial owner	153,110,350 Domestic Shares	33.79%
	Interest of spouse	42,726,650 Domestic Shares	9.43%
	Interest in controlled corporation	12,838,350 Domestic Shares	2.83%
Ms. Jiang ⁽¹⁾⁽²⁾	Beneficial owner	42,726,650 Domestic Shares	9.43%
	Interest of spouse	165,948,700 Domestic Shares	36.63%
Mr. Deng Haoji (鄧浩吉) ⁽²⁾	Beneficial owner	13,592,217 Domestic Shares	3.00%
Ms. Deng Haoyu (鄧浩宇) ⁽²⁾	Beneficial owner	13,592,217 Domestic Shares	3.00%
Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) ⁽³⁾ (“Alibaba China”)	Beneficial owner	36,245,913 Domestic Shares	8.00%
Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) ⁽³⁾ (“Taobao Software”)	Interest in controlled corporation	36,245,913 Domestic Shares	8.00%
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司) ⁽³⁾ (“Zhejiang Tmall”)	Interest in controlled corporation	36,245,913 Domestic Shares	8.00%
Taobao China Holding Limited ⁽³⁾	Interest in controlled corporation	36,245,913 Domestic Shares	8.00%
Taobao Holding Limited ⁽³⁾	Interest in controlled corporation	36,245,913 Domestic Shares	8.00%
Alibaba Group Holding Limited ⁽³⁾	Interest in controlled corporation	36,245,913 Domestic Shares	8.00%
China Agricultural Reclamation Industry Development Fund (Limited Partnership) (中國農墾產業發展基金(有限合夥)) ⁽⁴⁾ (“China Agricultural”)	Beneficial owner	29,839,365 Domestic Shares	6.59%
Zhaoken Capital Management (Beijing) Co., Ltd. (招墾資本管理(北京)有限公司) ⁽⁴⁾ (“Zhaoken Capital”)	Interest in controlled corporation	29,839,365 Domestic Shares	6.59%
Beidahuang Investment Holding Co., Ltd. (北大荒投資控股有限公司) ⁽⁴⁾ (“Beidahuang”)	Interest in controlled corporation	29,839,365 Domestic Shares	6.59%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Number and class of Shares held or interested in	Approximate percentage of shareholding
Shenzhen Zhaorong Agricultural Management Co., Ltd. (深圳市招融農墾管理有限責任公司) ⁽⁴⁾ (“Shenzhen Zhaorong”)	Interest in controlled corporation	29,839,365 Domestic Shares	6.59%
Shenzhen Zhaorong Investment Holding Co., Ltd. (深圳市招融產投控股有限責任公司) ⁽⁴⁾ (“Zhaorong Investment”)	Interest in controlled corporation	29,839,365 Domestic Shares	6.59%
China Merchants Steamship Co., Ltd. (招商局輪船有限公司) ⁽⁴⁾ (“Merchants Steamship”)	Interest in controlled corporation	29,839,365 Domestic Shares	6.59%
China Merchants Group Limited (招商局集團有限公司) ⁽⁴⁾	Interest in controlled corporation	29,839,365 Domestic Shares	6.59%
Suzhou Zhilan Equity Investment Center (Limited Partnership) (蘇州致藍股權投資中心(有限合夥)) ⁽⁵⁾ (“Suzhou Zhilan”)	Beneficial owner	24,536,019 Domestic Shares	5.42%
Shanghai CMC Industry Equity Investment Management Center (Limited Partnership) (上海華人文化產業股權投資管理中心(有限合夥)) ⁽⁵⁾ (“Shanghai CMC”)	Interest in controlled corporation	24,536,019 Domestic Shares	5.42%
Suzhou Junyi Equity Investment Center (Limited Partnership) (蘇州駿怡股權投資中心(有限合夥)) ⁽⁵⁾ (“Suzhou Junyi”)	Interest in controlled corporation	24,536,019 Domestic Shares	5.42%
CMC (Shanghai) Equity Investment Management Co., Ltd. (華人文化(上海)股權投資管理有限公司) ⁽⁵⁾ (“CMC Equity”)	Interest in controlled corporation	24,536,019 Domestic Shares	5.42%
Mr. Li Ruigang (黎瑞剛) ⁽⁵⁾	Interest in controlled corporation	24,536,019 Domestic Shares	5.42%

Notes:

- (1) As of the Latest Practicable Date, Mr. Deng was the sole general partner of each of Chongqing Heli and Chongqing Hezhong, the Employee Incentive Platforms. Chongqing Heli was held as to approximately 25.06% by Mr. Deng and Chongqing Hezhong was held as to approximately 8.44% by Mr. Deng, respectively. As such, Mr. Deng was deemed to be interested in the 12,838,350 Domestic Shares held by Chongqing Heli and Chongqing Hezhong under the SFO. Ms. Jiang is the spouse of Mr. Deng and therefore, each of Ms. Jiang and Mr. Deng was deemed to be interested in the Shares held by each other under the SFO.
- (2) Pursuant to the Entrustment Agreement entered into among Mr. Deng, Mr. Deng Haoji and Ms. Deng Haoyu, the respective voting rights attached to the Shares held by Mr. Deng Haoji and Ms. Deng Haoyu, representing collectively approximately 6.00% of the total share capital of our Company as of the Latest Practicable Date, have been entrusted to Mr. Deng solely and exclusively since the date when Mr. Deng Haoji and Ms. Deng Haoyu acquired equity interest in the Company from Mr. Deng in October 2020. Therefore, Mr. Deng was deemed to be interested in the Shares and voting rights held by each of Mr. Deng Haoji and Ms. Deng Haoyu under the SFO.

SUBSTANTIAL SHAREHOLDERS

- (3) As of the Latest Practicable Date, Alibaba China was held by Taobao Software and Zhejiang Tmall as to approximately 57.59% and 35.75% respectively. Each of Taobao Software and Zhejiang Tmall was a wholly-owned subsidiary of Taobao China Holding Limited, which was in turn wholly owned by Taobao Holding Limited. Taobao Holding Limited was a wholly-owned subsidiary of Alibaba Group Holding Limited. As such, each of Taobao Software, Zhejiang Tmall, Taobao China Holding Limited, Taobao Holding Limited and Alibaba Group Holding Limited was deemed to be interested in the 36,245,913 Domestic Shares held by Alibaba China under the SFO.
- (4) As of the Latest Practicable Date, the general partner of China Agricultural was Zhaoken Capital, which was in turn wholly-owned by Shenzhen Zhaorong. Shenzhen Zhaorong was wholly-owned by Zhaorong Investment, a wholly-owned subsidiary of Merchants Steamship. Merchants Steamship was wholly-owned by China Merchants Group Limited. In addition, Beidahuang was a limited partner of China Agricultural which holds approximately 39.97% of interest in China Agricultural. As such, each of Zhaoken Capital, Beidahuang, Shenzhen Zhaorong, Zhaorong Investment, Merchants Steamship and China Merchants Group Limited was deemed to be interested in the 29,839,365 Domestic Shares held by China Agricultural under the SFO.
- (5) As of the Latest Practicable Date, the general partner of Suzhou Zhilan was Shanghai CMC, a limited partnership established under the laws of PRC. The general partner of Shanghai CMC was CMC Equity which in turn was ultimately owned by Mr. Li Ruigang as to 99%. In addition, Suzhou Junyi was a limited partner of Suzhou Zhilan who held approximately 96.07% of equity interest in Suzhou Zhilan. As such, each of Shanghai CMC, Suzhou Junyi, CMC Equity and Mr. Li Ruigang was deemed to be interested in the 24,536,019 Domestic Shares held by Suzhou Zhilan under the SFO.

So far as our Directors are aware as of the Latest Practicable Date, immediately following the completion of the Global Offering and Conversion of Domestic Shares into H Shares (assuming that the Over-allotment Option is not exercised), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held or interested in ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares after completion of the Global Offering (assuming Over-allotment Option is not exercised) ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company after completion of the Global Offering (assuming Over-allotment Option is not exercised)
Mr. Deng ⁽²⁾⁽³⁾	Beneficial owner	Domestic Shares	101,740,360	64.99%	21.78%
		H Shares	51,369,990	16.54%	11.00%
	Interest of spouse	Domestic Shares	21,363,325	13.65%	4.57%
		H Shares	21,363,325	6.88%	4.57%
	Interest in controlled corporation	H Shares	12,838,350	4.13%	2.75%
Ms. Jiang ⁽²⁾⁽³⁾	Beneficial owner	Domestic Shares	21,363,325	13.65%	4.57%
		H Shares	21,363,325	6.88%	4.57%
	Interest of spouse	Domestic Shares	101,740,360	64.99%	21.78%
		H Shares	64,208,340	20.68%	13.75%
Mr. Deng Haoji ⁽³⁾	Beneficial owner	Domestic Shares	6,796,109	4.34%	1.46%
		H Shares	6,796,108	2.19%	1.46%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held or interested in ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares after completion of the Global Offering (assuming Over-allotment Option is not exercised) ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company after completion of the Global Offering (assuming Over-allotment Option is not exercised)
Ms. Deng Haoyu ⁽³⁾	Beneficial owner	Domestic Shares	6,796,109	4.34%	1.46%
		H Shares	6,796,108	2.19%	1.46%
Alibaba China ⁽⁴⁾	Beneficial owner	H Shares	36,245,913	11.67%	7.76%
Taobao Software ⁽⁴⁾	Interest in controlled corporation	H Shares	36,245,913	11.67%	7.76%
Zhejiang Tmall ⁽⁴⁾	Interest in controlled corporation	H Shares	36,245,913	11.67%	7.76%
Taobao China Holding Limited ⁽⁴⁾	Interest in controlled corporation	H Shares	36,245,913	11.67%	7.76%
Taobao Holding Limited ⁽⁴⁾	Interest in controlled corporation	H Shares	36,245,913	11.67%	7.76%
Alibaba Group Holding Limited ⁽⁴⁾	Interest in controlled corporation	H Shares	36,245,913	11.67%	7.76%
China Agricultural ⁽⁵⁾	Beneficial owner	Domestic Shares	5,967,873	3.81%	1.28%
		H Shares	23,871,492	7.69%	5.11%
Zhaoken Capital ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	5,967,873	3.81%	1.28%
		H Shares	23,871,492	7.69%	5.11%
Beidahuang ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	5,967,873	3.81%	1.28%
		H Shares	23,871,492	7.69%	5.11%
Shenzhen Zhaorong ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	5,967,873	3.81%	1.28%
		H Shares	23,871,492	7.69%	5.11%
Zhaorong Investment ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	5,967,873	3.81%	1.28%
		H Shares	23,871,492	7.69%	5.11%
Merchants Steamship ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	5,967,873	3.81%	1.28%
		H Shares	23,871,492	7.69%	5.11%
China Merchants Group Limited ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	5,967,873	3.81%	1.28%
		H Shares	23,871,492	7.69%	5.11%

Notes:

- (1) The calculation is based on the total number of 156,557,407 Domestic Shares in issue and 310,528,995 H Shares in issue (including 296,516,495 H Shares to be converted from Domestic Shares) and the total share capital consisting of 467,086,402 Shares in issue upon Listing, assuming that the Over-allotment Option is not exercised.
- (2) As of the Latest Practicable Date, Mr. Deng was the sole general partner of each of Chongqing Heli and Chongqing Hezhong, the Employee Incentive Platforms. Chongqing Heli was held as to approximately 25.06% by Mr. Deng and Chongqing Hezhong was held as to approximately 8.44% by Mr. Deng, respectively. As such, Mr. Deng was deemed to be interested in the 12,838,350 H Shares held by Chongqing Heli and Chongqing Hezhong under the SFO. Ms. Jiang is the spouse of Mr. Deng and therefore, each of Ms. Jiang and Mr. Deng was deemed to be interested in the Shares held by each other under the SFO.

SUBSTANTIAL SHAREHOLDERS

- (3) Pursuant to the Entrustment Agreement entered into among Mr. Deng, Mr. Deng Haoji and Ms. Deng Haoyu, the respective voting rights attached to the Shares held by Mr. Deng Haoji and Ms. Deng Haoyu have been entrusted to Mr. Deng solely and exclusively since the date when Mr. Deng Haoji and Ms. Deng Haoyu acquired equity interest in the Company from Mr. Deng in October 2020. Therefore, Mr. Deng was deemed to be interested in the Shares and voting rights held by each of Mr. Deng Haoji and Ms. Deng Haoyu under the SFO.

- (4) As of the Latest Practicable Date, Alibaba China was held by Taobao Software and Zhejiang Tmall as to approximately 57.59% and 35.75% respectively. Each of Taobao Software and Zhejiang Tmall was a wholly-owned subsidiary of Taobao China Holding Limited, which was in turn wholly owned by Taobao Holding Limited. Taobao Holding Limited was a wholly-owned subsidiary of Alibaba Group Holding Limited. As such, each of Taobao Software, Zhejiang Tmall, Taobao China Holding Limited, Taobao Holding Limited and Alibaba Group Holding Limited was deemed to be interested in the 36,245,913 H Shares held by Alibaba China under the SFO.

- (5) As of the Latest Practicable Date, the general partner of China Agricultural was Zhaoken Capital, which was in turn wholly-owned by Shenzhen Zhaorong. Shenzhen Zhaorong was wholly-owned by Zhaorong Investment, a wholly-owned subsidiary of Merchants Steamship. Merchants Steamship was wholly-owned by China Merchants Group Limited. In addition, Beidahuang was a limited partner of China Agricultural which holds approximately 39.97% of interest in China Agricultural. As such, each of Zhaoken Capital, Beidahuang, Shenzhen Zhaorong, Zhaorong Investment, Merchants Steamship and China Merchants Group Limited was deemed to be interested in the 5,967,873 Domestic Shares and 23,871,492 H Shares held by China Agricultural under the SFO.

Save as disclosed above, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), have interests or short positions in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

SHARE CAPITAL

SHARE CAPITAL

Immediately before the Global Offering

As of the Latest Practicable Date, the registered capital of our Company was RMB453,073,902, comprising 453,073,902 Domestic Shares with a nominal value of RMB1.00 each.

Upon the Completion of the Global Offering

Immediately following the completion of the Global Offering and Conversion of Domestic Shares into H Shares (assuming the Over-allotment Option is not exercised), the total share capital of our Company will be as follows:

Class of Shares	Number of Shares	Approximate percentage of enlarged issued share capital
Domestic Shares	156,557,407	33.52%
H Shares to be converted from Domestic Shares	296,516,495	63.48%
H Shares to be issued pursuant to the Global Offering	14,012,500	3.00%
TOTAL	467,086,402	100.00%

Immediately following completion of the Global Offering and Conversion of Domestic Shares into H Shares (assuming the Over-allotment Option is exercised in full), the total share capital of our Company will be as follows:

Class of Shares	Number of Shares	Approximate percentage of enlarged issued share capital
Domestic Shares	156,557,407	33.37%
H Shares to be converted from Domestic Shares	296,516,495	63.20%
H Shares to be issued pursuant to the Global Offering	16,114,300	3.43%
TOTAL	469,188,202	100.00%

CLASSES OF SHARES

Upon completion of the Global Offering and Conversion of Domestic Shares into H Shares, the Shares will consist of Domestic Shares and H Shares. Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company.

SHARE CAPITAL

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic Shares held by whom will be converted into H Shares according to the approval of the CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic Shares and H Shares are regarded as different classes of Shares. The differences between the two classes of Shares, provisions on class rights, despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the procedure of transfer of Shares and appointment of dividend receiving agents as contained in the Articles of Association are summarized in “Appendix IV — Summary of the Articles of Association”.

Furthermore, any change or abrogation of the rights of class Shareholders shall be approved by way of a special resolution of the general meeting of Shareholders and by a separate class shareholders meeting of class Shareholders convened by the affected class of Shareholders. The circumstances under which a general meeting and/or a class meeting is required are summarized in “Appendix IV — Summary of the Articles of Association.” However, the special approval process of separate classes of Shareholders is not required under the following circumstances:

- (i) with the approval by a special resolution at the general meeting, the Company issues Domestic Shares or overseas listed foreign shares alone or at the same time at each interval of 12 months and the number of the proposed Domestic Shares and overseas listed foreign shares does not exceed 20% of the respective outstanding shares of such class;
- (ii) the Company has made the plans to issue Domestic Shares or overseas listed foreign shares at the time of incorporation and the implementation of such plan has been completed within 15 months from the date of approval by the securities regulatory authorities of the State Council; or
- (iii) transfer of Domestic Shares by domestic shareholder to foreign investors, or conversion of Domestic Shares by domestic shareholder to foreign Shares in part or in full, and such transferred or converted Shares are listed on overseas stock exchange as approved by the securities regulatory authority under the State Council and with the consent of the Stock Exchange.

SHARE CAPITAL

Save as disclosed above, Domestic Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

We have two classes of ordinary shares, H Shares and Domestic Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required if any of our Domestic Shares are to be converted into and traded as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion 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 listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be an administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial Listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates.

SHARE CAPITAL

Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

Upon completion of the Global Offering and according to the approvals issued by the CSRC on January 13, 2022, 296,516,495 Domestic Shares in aggregate held by the following Shareholders will be converted into H Shares on a one-for-one basis and listed on Stock Exchange for trading. For further details on the conversion of the Domestic Shares, please refer to the below table:

No.	Name of Shareholder	Domestic Shares held as of the Latest Practicable Date	Domestic Shares to be converted into H Shares upon completion of the Global Offering
1	Mr. Deng ⁽¹⁾	125,925,916	37,777,774
2	Ms. Jiang ⁽¹⁾	42,726,650	21,363,325
3	Deng Haoji ⁽¹⁾	13,592,217	6,796,108
4	Deng Haoyu ⁽¹⁾	13,592,217	6,796,108
5	Chongqing Heli ⁽¹⁾	8,600,250	8,600,250
6	Chongqing Hezhong ⁽¹⁾	4,238,100	4,238,100
7	Peng He ⁽¹⁾	1,677,000	838,500
8	Yang Junwen ⁽¹⁾	975,000	487,500
9	Tan Bo ⁽¹⁾	975,000	487,500
10 . . .	Yu Lixia ⁽¹⁾	507,000	253,500
11 . . .	Yu Wenli ⁽¹⁾	195,000	97,500
12 . . .	Other Shareholders ⁽²⁾	240,069,552	208,780,330

Notes:

- (1) Such Shareholders are core connected persons of our Company upon completion of the Global Offering and therefore H Shares held by such Shareholders will not constitute public float. For further details of the Shareholder(s), please refer to the sections headed “Relationship with Our Controlling Shareholders”, “Directors, Supervisors and Senior Management” and “History, Development and Corporate Structure” in this Prospectus.
- (2) Such Shareholders are not core connected persons of our Company upon completion of the Global Offering and will not otherwise fall under the circumstances contemplated under Rule 8.24 of the Listing Rules. The H Shares to be held by such Shareholders will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules.

So far as we are aware, save as disclosed in this Prospectus, none of our Shareholders currently proposes to convert any of their Domestic Shares into H Shares.

SHARE CAPITAL

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

According to the Company Law, the Shares issued by our Company prior to the Global Offering (including a total of 296,516,495 H Shares to be converted from Domestic Shares) held by the Shareholders are restricted from trading within one year from the Listing Date.

Our Company will work with the Domestic Securities Company to be engaged by our Company to restrict the trading of the H Shares converted from Domestic Shares technically within one year after the Listing.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized 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 CSDC within 15 Business Days upon the Listing and provide a written report to the CSRC regarding the centralized registration and deposit of the Domestic Shares as well as the current offering and listing of H shares.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which our Shareholders' general meeting and Shareholders' class meeting are required, please see subsections headed "Shareholders' General Meeting" and "Special Procedures for Voting of Class Shareholders" in "Appendix IV — Summary of the Articles of Association."

SHAREHOLDERS' APPROVAL FOR THE GLOBAL OFFERING

Approval from holders of the Shares is required for our Company to issue H Shares and seek the listing of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders' general meeting held on September 6, 2021.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements as of and for each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, and the accompanying notes included in the Accountants' Report set out in Appendix I to this Prospectus ("Historical Financial Information"). Historical Financial Information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting policies in other jurisdictions. Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Potential investors should read the whole Historical Financial Information and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. For additional information regarding these risks and uncertainties in evaluation of our business, please refer to "Risk Factors."

OVERVIEW

We are a fast-growing and multi-brand fruit company with an end-to-end supply chain. Capitalizing on our extensive industry experience accumulated through nearly 20 years of operations, we have established a product portfolio covering 49 fruit categories as of the Latest Practicable Date, among which durian, mangosteen, longan, dragon fruit, cherry and grapes are our core products. We select high-quality fruits from over 100 places of origin primarily grown in China, Thailand and Vietnam. Leveraging our strategic penetration into premium places of origin, sales and distribution network across China, as well as efficient end-to-end supply chain, we are able to distribute fruit products directly from orchards to retailers across China.

Our brand has been highly recognized by consumers. As of May 31, 2022, eight of China's top ten supermarkets in 2021 by sales revenue were our customers, and our market share of China's durian distribution market increased from 2.8% in 2019 to 8.3% in 2021 by sales revenue, according to CIC. The above facts fully prove the strong influence of our brand in the industry.

We have built a digitalized end-to-end supply chain for quality fruits along the value chain of the fresh fruit industry. We procure fruits directly from places of origin, process and grade fruits at local fruit processing plants, and sell them to customers across China. During the Track Record Period, we achieved significant increase in revenue and adjusted profit (non-IFRS measure). Leveraging on our expanding sales and distribution network, high-quality

FINANCIAL INFORMATION

fruit product offerings as well as a wide range of loyal consumer base, our revenue increased by 177.8% from RMB2,077.7 million in 2019 to RMB5,771.4 million in 2020, and further increased by 78.1% to RMB10,280.1 million in 2021. Our revenue increased by 25.1% from RMB4,575.7 million in the five months ended May 31, 2021 to RMB5,725.1 million in the five months ended May 31, 2022. We have also achieved significant growth in profitability throughout the Track Record Period. Our adjusted profit (non-IFRS measure) increased by 190.2% from RMB228.3 million in 2019 to RMB662.4 million in 2020 and further increased by 64.5% to RMB1,089.6 million in 2021. Our adjusted profit (non-IFRS measure) increased by 39.6% from RMB533.4 million in the five months ended May 31, 2021 to RMB744.5 million in the five months ended May 31, 2022. Our adjusted profit margin (non-IFRS measure) increased from 11.0% in 2019 to 11.5% in 2020 and decreased to 10.6% in 2021. Our adjusted profit margin (non-IFRS measure) increased from 11.7% in the five months ended May 31, 2021 to 13.0% in the five months ended May 31, 2022. We define adjusted profit (non-IFRS measure) adjusted by deducting changes in the carrying amount of liabilities recognized for preferential rights issued to investors from profit for the year. We eliminate the potential impacts of this item as it is a non-cash item in nature. Please also see “— Consolidated Statements of Profit or Loss — Non-IFRS Measure.” Our net profit margin, which is calculated by profit for the years divided by revenue for respective years, was 7.8%, 0.0%, 2.8%, 0.1% and 13.0% in 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) which is a collective term that includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”).

The IASB has issued certain new and revised IFRSs. For the purpose of preparing this historical financial information, we have consistently adopted all applicable new and revised IFRSs, including IFRS 16 *Leases*, throughout the Track Record Period. We have not adopted any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2022. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2022 and not yet adopted by the Group are set out in Note 29 to the Accountants’ Report set out in Appendix I to this Prospectus.

Our historical financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

FINANCIAL INFORMATION

SIGNIFICANT FACTORS AFFECTING OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been, and are expected to continue to be, affected by a number of general factors driving China's economy and fresh fruit industry as well as some company-specific factors, including the following major factors:

- General Economic Conditions, Consumer Demand and Competition Landscape in China;
- Procurement Capability to Secure and Expand Supply of High-Quality Fruits;
- Sales and Distribution Network;
- Mix of Fruit Products and Brands; and
- Supply Chain Infrastructure and Operating Efficiency.

General Economic Conditions, Consumer Demand and Competition Landscape in China

China's economic growth and per capita disposable income have surged in the past decade, leading to increase in demand for high-quality fruits in line with the consumption upgrade. According to CIC, the market size by total retail value of China's fresh fruit market is expected to further grow. However, consumers' demand will be affected by various factors beyond our control, including overall economic conditions in China, the level of per capita disposable income, inflation rate and consumer price index. In addition, driven by the consumption upgrading, the demand for selected fruit categories, such as durian, cherry, longan, mangosteen and dragon fruit, has experienced rapid growth in recent years as a result of particular market receptiveness of such fruit categories. In particular, among the fruit categories by retail value above RMB10.0 billion in 2021, durian is expected to have the fastest growth rate in the next five years. Capturing this market trend, we have established our core fruit products portfolio, being durian, mangosteen, longan, dragon fruit, cherry and grapes, with a revenue contribution accounted for 74.9%, 68.3%, 57.5%, 61.5% and 46.7% of our total revenue in 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively. Benefiting from high consumer recognition and large consumption scale of such fruit categories, we have enjoyed rapid revenue growth and leading market position in China's fresh fruit industry.

The occurrences of COVID-19 have affected China's national and local economies to a varying degree. Accordingly, the size of China's fresh fruit distribution market decreased slightly in 2020. However, given the nature of fruit which is a necessity for people's daily dietary and our proactive presence in emerging retail channel catering to the transformation of consumer habit caused by the epidemics, our business operations had not been materially interrupted by COVID-19. Our revenue increased from RMB2,077.7 million in 2019 to

FINANCIAL INFORMATION

RMB5,771.4 million in 2020, and to RMB10,280.1 million in 2021, and further increased by 25.1% from RMB4,575.7 million in the five months ended May 31, 2021 to RMB5,725.1 million in the five months ended May 31, 2022.

Furthermore, the demand for our fruit products is also affected by the competition landscape in our industry. We operate in a rapidly evolving, highly competitive and fragmented industry. We will continue to depend on our ability to further penetrate the market by providing high-quality fruit products and expanding our product portfolio to cover more categories of fruits that appeal to consumers' preferences, enabling us to stand out from fierce market competition. Please also see "Business — Competition" and "Risk Factors — Risks Relating to Our Business and Industry — Failure to compete effectively may adversely affect our market share and profitability."

Procurement Capability to Secure and Expand Supply of High-Quality Fruits

Our ability to continuously capture and satisfy the preference of consumers mainly depends on our procurement capability to secure and expand supply of high-quality fruits. During the Track Record Period, we selectively choose our places of origin by taking into account geographic locations, climate patterns, output scale and planting technologies, where fruit supply volume is subject to inherent restrictions. For years, we have endeavored to establish and maintain good relationships with a broad range of premium orchards and suppliers to secure and further expand a stable supply of premium fruits, enabling us to establish competitive advantages against our competitors. Despite our efforts to enhance cooperation with relevant orchards and suppliers mainly based in Thailand and Vietnam, we are susceptible to fluctuations in the economic conditions of these markets. The occurrence or consequences of any of these factors may restrict our ability to procure fruits and operate business in the affected region. Please also see "Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to the risks associated with international operations."

Costs of fruits are affected by a broad range of factors, including supply and demand mechanism, preference in fruits, inflation, competition landscape and pandemic. During the Track Record Period, leveraging our data-driven supply chain management, we directly sourced our fruit products from places of origin to maintain cost advantage as well as made flexible and efficient logistics arrangements, all of which contributes to our cost-efficiency and revenue growth. For details, please also see "Business — Our Supply Chain Management — Direct sourcing." There is no assurance that we may always be successful in anticipating procurement price and market preference, and forming or implementing our business strategy accordingly, all of which are subject to various factors that are beyond our control, including but not limited to extreme weather conditions, unexpected natural disasters, crop diseases and pest infestations.

FINANCIAL INFORMATION

Sales and Distribution Network

During the Track Record Period, we have established a nationwide sales and distribution network. As of May 31, 2022, we had 19 sales branches across China, which function as frontline sales grids to radiate nationwide and support our sales and distribution network in 300 cities serving different sales channels. Our sales and distribution network comprises terminal wholesalers, emerging retailers, supermarket customers and direct sales.

With the increasing trend of consumption upgrading in China, emerging retail channel has become an increasingly important sales channel in China's fresh fruit distribution market. Our sales to emerging retailers increased from RMB471.4 million in 2019 to RMB2,133.6 million in 2021, representing a CAGR of 112.7% from 2019 to 2021, and increased by 14.5% from RMB1,035.0 million in the five months ended May 31, 2021 to RMB1,184.8 million in the five months ended May 31, 2022. The proportion of sales via emerging retailers of our total sales increased from 17.4% in 2020 to 20.7% in the five months ended May 31, 2022.

Our sales are also affected by the relationship with customers and their business operations. We are committed to maintaining long-term relationships with them through stable supply of high-quality products, excellent service and strong supply chain management capabilities. However, we cannot assure that our current customers will continue to purchase fruit products from us after the term of the current agreement expires and whose ability to purchase fruit products and make prompt payment may also be adversely affected by general economic conditions, regulatory or legal decisions, natural disasters or other causes. Please see "Risk Factors — Risks Relating to Our Business and Industry — Our failure to recover a significant portion of our trade and other receivables in a timely manner may have a materially adverse effect on our business and financial results."

Mix of Fruit Products and Brands

Our financial results are largely affected by our ability to continuously expand our fruit product portfolio to capture and satisfy the preference of consumers. We invest in ensuring quality from the start of supply chain by focusing on procuring fruits from places with premium geographic and weather conditions, with a substantial portion of our core fruit products – durian, mangosteen, longan and dragon fruit, being directly procured from places of origin. For details, please see "Business — Our Supply Chain Management." As of May 31, 2022, our fruit product portfolio comprised 49 fruit categories procured from over 100 places of origin, realizing a year-round high-quality fruit supply to our customers. As of the same date, we had a portfolio of 18 fruit brands across 14 categories of fruit. For details of our fruits and brands portfolio, please see "Business — Our Fruit Products and Brands — Our Branded Fruit Products."

We benefit from a multi-category and multi-brand strategy which we effectively mitigated risks associated with offering limited categories of fruit, including changes of consumers' preference in fruits, negative supply or market conditions due to unexpected weather, social or economic environment. In the meantime, we managed to gain good market acceptance and

FINANCIAL INFORMATION

wide consumer recognition in a short period of time through serving different target customer groups with multiple fruit brands. However, our ability to successfully establish suitable fruit products portfolio, develop successful brands and secure source of quality fruits are subject to various factors beyond our control. Please see “Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to changes in consumer demand, preferences and spending patterns.”

Furthermore, market demands and consumers’ preference in fruit products keep evolving, resulting in different sales and gross profit margin. For instance, revenue generated from branded fruit products accounted for 75.9%, 76.2%, 73.3%, 71.3% and 72.5% of total revenue in 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively, which was mainly comprised of our six core fruit product categories which were sourced from China, Thailand and Vietnam. These branded fruit products generally carry higher gross profit margin than unbranded fruit products. For details, please see “— Description of Major Components of Our Results of Operations — Gross Profit and Gross Profit Margin.” We may adjust the portfolio of our fruit categories or brands in response to a broad range of factors beyond our control, which may affect our financial results. We intend to adhere to the principle of high-standard product selection, continue to grasp the demand driven by consumption upgrading, launch and promote more popular fruit products and strategically enrich our fruit products and brands portfolio.

Supply Chain Infrastructure Network and Operating Efficiency

Through years of efforts and strategic investment, we have reshaped the distribution model through efficient disintermediation, realizing digitalized end-to-end supply chain management, where we managed to establish a supply chain infrastructure equipped with advanced technology and machines, effectively integrating various parties along the value chain. This allows us to establish competitive edges at each key stage of supply chain, resulting in continuously optimized operating efficiency, market position and financial results during the Track Record Period. For details, please see “Business — Our Supply Chain Management.” In line with our business strategy, we have been investing in exploring opportunities to further optimize the coverage of our sales and distribution network, increase and retain our customer base and sales of fruit products.

Our future success depends on, among other things, our capability to continuously optimize and expand our supply chain infrastructure network as well as improve operating efficiency, which is subject to various factors that are beyond our control, including changes in transportation or plantation technology that we may not be able to adopt, evolving regulations in terms of fresh fruit transportation or customs clearance, as well as fierce competition we might face. There is no assurance that we can always successfully cope with relevant challenges.

FINANCIAL INFORMATION

SEASONALITY

During the Track Record Period, we are not subject to material fluctuations of seasonality leveraging our product portfolio that offers various fruit products throughout the year. We have implemented a procurement strategy to source fruits from over 100 places of origin to mitigate the negative impacts of seasonality underpinning the traditional supply chain model in the industry. In addition, our diverse portfolio of fruit products ensures that we are not dependent on any single type of fruit to meet market demand. As a result, we do not expect to experience significant fluctuations due to the seasonality of any particular fruit. For more details, please see “Business — Seasonality” and “Risk Factors — Risks Relating to Our Business and Industry — Our results of operations are subject to seasonal fluctuations.”

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations are set forth in detail in Note 2 to the Accountants’ Report included in Appendix I to this Prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements. Please refer to Note 2 and Note 3 to the Accountants’ Report included in Appendix I to this Prospectus for a detailed discussion of our significant accounting policies, estimates, assumptions and judgments which are important for understanding our financial condition and results of operations.

Revenue and Other Income

During the Track Record Period, we derived revenue primarily from sales of fruits. Revenue from sales of fruits is recorded net of discounts. We recognize revenue from sales of fruits when fruits are delivered and accepted. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the client for more than 12 months, 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 with the client, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to us, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method.

FINANCIAL INFORMATION

Further details of our other income recognition policies are as follows:

Interest income

We recognize interest income as it accrues under the effective interest method using the rate that exactly discount estimated future cash receipts through expected life of the financial assets to the gross carrying amount of the financial asset. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amounts of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortized cost of the asset.

Government grants

We recognize government grants when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them.

Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized as deferred income and subsequently recognized in profit or loss over the useful life of the assets.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories are assigned by using specific identification of their individual costs and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories are recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

FINANCIAL INFORMATION

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Financial instruments issued to investors

We entered into a series of investment agreements with certain independent investors, pursuant to which, these investors agreed to make cash investments to us to acquire the shares of the Company.

We recognized the financial instruments issued to investors as financial liabilities, because these financial instruments did not meet the definition of equity for us. The financial liabilities are measured at an amount expected to be paid to the investors upon liquidation which is assumed to be at the dates of issuance and at the end of each reporting period. Any changes in the carrying amount of the financial liabilities resulting from the revision of estimated contractual cash flows were recognized in profit or loss as changes in the carrying amount of liabilities recognized for preferential rights issued to investors.

Credit losses and impairment of assets

Credit losses from financial instruments

We recognize a loss allowance for Expected Credit Losses (“ECLs”) on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and loans to related parties).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to us in accordance with the contract and the cash flows that we expect to receive).

In measuring ECLs, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

FINANCIAL INFORMATION

Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- right-of-use assets; and
- investments in subsidiaries in the Company’s statement of financial position.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth the consolidated statements of profit or loss with line items in an absolute amount and as a percentage of total revenue for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022 (the “**relevant periods**”) indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Revenue	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0
Cost of sales	(1,684,757)	(81.1)	(4,814,219)	(83.4)	(8,666,973)	(84.3)	(3,838,850)	(83.9)	(4,601,736)	(80.4)
Gross profit	392,940	18.9	957,172	16.6	1,613,101	15.7	736,801	16.1	1,123,378	19.6
Selling and distribution expenses	(46,255)	(2.2)	(92,743)	(1.6)	(183,834)	(1.8)	(67,790)	(1.5)	(83,913)	(1.5)
Administrative expenses	(85,495)	(4.1)	(125,757)	(2.2)	(187,895)	(1.8)	(55,239)	(1.2)	(140,941)	(2.5)
Other net income	18,927	0.9	53,977	0.9	87,994	0.9	28,741	0.6	21,996	0.4
Other expenses	(591)	(0.0)	(2,310)	(0.0)	(3,547)	(0.1)	(1,261)	(0.0)	(2,110)	(0.0)
Profit from operations	279,526	13.5	790,339	13.7	1,325,819	12.9	641,252	14.0	918,410	16.0
Finance costs	(2,402)	(0.1)	(5,581)	(0.1)	(29,134)	(0.3)	(9,142)	(0.2)	(22,383)	(0.4)
Changes in the carrying amount of liabilities recognized for preferential rights issued to investors	(65,172)	(3.1)	(659,600)	(11.4)	(797,150)	(7.8)	(528,267)	(11.5)	–	0.0
Profit before taxation	211,952	10.2	125,158	2.2	499,535	4.8	103,843	2.3	896,027	15.7
Income tax	(48,862)	(2.4)	(122,404)	(2.2)	(207,093)	(2.0)	(98,755)	(2.2)	(151,506)	(2.7)
Profit for the year/period	163,090	7.8	2,754	0.0	292,442	2.8	5,088	0.1	744,521	13.0
Attributable to:										
Equity shareholders of the Company	163,137	7.8	2,587	0.0	291,636	2.8	4,269	0.1	742,824	13.0
Non-controlling interests	(47)	(0.0)	167	0.0	806	0.0	819	0.0	1,697	0.0

FINANCIAL INFORMATION

Non-IFRS Measure

To supplement our consolidated financial statements that are presented in accordance with IFRSs, we use adjusted profit (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period. We believe that this measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of adjusted profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

The following table sets out the adjusted profit for the year/period (non-IFRS measure) for each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, excluding changes in the carrying amount of liabilities recognized for preferential rights issued to investors:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Profit for the year	163,090	2,754	292,442	5,088	744,521
Less: changes in the carrying amount of liabilities recognized for preferential rights issues to investors ⁽¹⁾	(65,172)	(659,600)	(797,150)	(528,267)	—
Adjusted profit	<u>228,262</u>	<u>662,354</u>	<u>1,089,592</u>	<u>533,355</u>	<u>744,521</u>

Note:

- (1) We define adjusted profit for the year/period (non-IFRS measure) adjusted by deducting changes in the carrying amount of liabilities recognized for preferential rights issued to investors from profit for the years. We eliminate the potential impacts of this item as it is a non-cash in nature. Upon termination of the preferential rights on September 6, 2021, the Pre-IPO Investments have been converted into equity of the Company. After September 6, 2021, we do not have any financial instruments issued to investors and we will no longer use this item to adjust our profit. For details, please also see Note 22 to the Accountants' Report set out in Appendix I to this Prospectus. For details on our Pre-IPO Investments, please also see "History, Development and Corporate Structure — Major Shareholding Changes of Our Group — Our Company — 3. Pre-IPO Investments and Shareholding Changes of Our Company" and "History, Development and Corporate Structure — Further Details of the Pre-IPO Investments."

FINANCIAL INFORMATION

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we derived revenue through sales of fruits that we sourced from China, Thailand and Vietnam. Leveraging our strategic penetration into premium places of origin, as well as our comprehensive coverage of various fruit distribution channels in China, well reception by customers of our high-quality fruit products and highly efficient end-to-end supply chain management, we have experienced quick business growth during the Track Record Period. Our revenue increased by 177.8% from RMB2,077.7 million in 2019 to RMB5,771.4 million in 2020 and further increased by 78.1% to RMB10,280.1 million in 2021. Our revenue increased by 25.1% from RMB4,575.7 million in the five months ended May 31, 2021 to RMB5,725.1 million in the five months ended May 31, 2022.

The continuous increase in our revenue during the Track Record Period was mainly attributed to the increase in sales volume of our fruit products, across different fruit categories mainly as a result of growing demands for our fruit products in recognition of our strong supply chain management capabilities as well as our extensive sales and distribution network. We also consider our success to be contributed by our branding strategy which effectively captured business opportunities brought up by rising demand among consumers in China for quality fruits in line with their growing awareness of healthy lifestyle in recent years.

Revenue from sales of fruits by categories

The table below sets forth revenue contribution of our top ten fruit products by categories in terms of revenue during the Track Record Period, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated:

	Year ended December 31,						Five months ended May 31,					
	2019		2020		2021		2021		2022			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
	<i>(unaudited)</i>											
Core fruit products⁽¹⁾												
Durian	473,273	22.8	2,107,155	36.5	3,481,639	33.9	1,572,921	34.4	1,551,029	27.1		
Dragon fruit	321,897	15.5	471,294	8.2	845,676	8.2	481,524	10.5	302,171	5.3		
Cherry	200,797	9.7	225,795	3.9	324,776	3.1	267,855	5.8	358,495	6.3		
Grapes	161,273	7.8	395,262	6.8	500,226	4.9	222,863	4.9	164,365	2.9		
Longan	223,293	10.7	338,513	5.9	572,703	5.6	232,948	5.1	244,972	4.3		
Mangosteen	175,466	8.4	403,803	7.0	185,470	1.8	36,434	0.8	52,216	0.8		
Subtotal	1,555,999	74.9	3,941,822	68.3	5,910,490	57.5	2,814,545	61.5	2,673,248	46.7		

FINANCIAL INFORMATION

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Other fruit products										
Tangerine	151,333	7.3	459,675	8.0	1,616,065	15.7	731,721	16.0	1,489,616	26.0
Apple	67,282	3.2	349,762	6.0	679,466	6.6	373,515	8.2	388,346	6.8
Mango	50,970	2.4	169,645	2.9	221,489	2.2	96,403	2.1	40,482	0.7
Kiwi	36,847	1.8	107,922	1.9	215,218	2.1	62,498	1.4	146,413	2.6
Others ⁽²⁾	215,266	10.4	742,565	12.9	1,637,346	15.9	496,969	10.8	987,009	17.2
Subtotal	521,698	25.1	1,829,569	31.7	4,369,584	42.5	1,761,106	38.5	3,051,866	53.3
Total	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0

Notes:

- (1) We consider durian, mangosteen, longan, dragon fruit, cherry and grapes to be our six core fruit products and we have carried them under our self-owned brands. We develop these core products from categories that are highly recognizable in China with a large market size and a rapid growth rate. Please also see “Business — Our Fruit Products and Brands — Our Branded Fruit Products.”
- (2) Others primarily include pear, prunus, banana and pomegranate.

From 2019 to 2021, total sales of our six core fruit products continued increasing in absolute amount mainly due to strong market demands in China for these fruits. According to CIC, these six core fruit categories accounted for 64.6% of China’s total imported fruits by retail value in 2021, making them the major imported fruit categories. We ensured premium attributes and quality of our fruit products through securing supply from over 100 places of origin, and management of advanced supply chain and extensive sales and distribution network that enables us to deliver fruits to customers in optimal conditions. This competitiveness allows us to continuously enhance our market positions in relation to these fruit products, resulting in strong growth of our sales there.

Sales of our six core fruit products as a percentage of our total revenue decreased from 74.9% in 2019 to 68.3% in 2020, and further decreased to 57.5% in 2021, and decreased further from 61.5% in the five months ended May 31, 2021 to 46.7% in the five months ended May 31, 2022. The decrease from 2019 to 2021 was mainly due to the factors that we increased sales of other fruit categories to meet growing demands from customers for relevant fruits, who recognize and value our supply chain management capability of providing stable supply of quality fruit products. The decrease in both absolute amount and percentage in the five months ended May 31, 2022 was primarily due to the decreased sales of durian, dragon fruit and grapes.

FINANCIAL INFORMATION

In particular, we have seen a substantial increase in sales of durian from 2019 to 2021 both in an absolute amount, attributable to increased sales volume and average selling price of durian, primarily as a result of increased market demands for our durian products in recognition of premium quality of our durian ensured by our strong supply chain management capability. Among the fruit categories by retail value above RMB10.0 billion in 2021, durian is expected to have the fastest growth rate in the next five years, according to CIC. In addition, we were the largest distributor of durian in China in 2021. Due to the strong market demand and our market position, we expect our sales of durian continue to grow in the future. However, some of our core fruit products, namely durian, dragon fruit and grapes, have experienced decrease in sales in the five months ended May 31, 2022. In particular, the peak harvest season of durian, one of our best-selling core fruit products, was delayed by approximately one month in 2022. Such a delay was primarily caused by the local weather conditions in Thailand, which delayed the ripening time of durian, as well as the tightened government controls on durian harvesting in Thailand and the restriction on harvesting unripe durian. As a result, there was a latency in our durian products' peak sales season with shortened peak sales months of durian in the five months ended May 31, 2022 than that in the five months ended May 31, 2021, ultimately resulting in a slight decrease in the sales of durian. In addition, the sales of dragon fruit and grape decreased during the same period, mainly because the Chinese customs has taken restrictive measures to control the outbreak of COVID-19 in China and has resulted in more constrained logistics resources, such as vessels. In response, we have actively adjusted our procurement strategy, reserved and allocated such logistics resources to the more popular fruit products like durian. Therefore, we reduced our procurement amount of dragon fruit and grape, which subsequently lowered our sales of such fruit products. As a result, our overall sales of core fruit products decreased. However, since relevant restrictive governmental measures have been relaxed, we believe that such situation will be alleviated and overseas logistics has gradually returned to normal up to the Latest Practicable Date.

During the Track Record Period, sales of our fruit products other than the six core fruit categories continued increasing in absolute amount, mainly driven by growing market demands for these fruits. The sales of mango decreased from RMB96.4 million in the five months ended May 31, 2021 to RMB40.5 million in the five months ended May 31, 2022, primarily because we purchased fewer mangoes as the local weather conditions have diminished the quality of mangoes, causing many to fall short of our procurement standards. In addition, we developed more branded domestic fruit products to cater to consumers' preferences as well as expanded our sales and distribution network to increase loyal consumer base.

FINANCIAL INFORMATION

The table below sets forth sales volume and average selling price of our fruit products by categories for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	(kilograms)	(RMB per kilogram)	(kilograms)	(RMB per kilogram)	(kilograms)	(RMB per kilogram)	(kilograms)	(RMB per kilogram)	(kilograms)	(RMB per kilogram)
Core fruit products										
Durian	13,837,367.1	34.2	54,969,370.2	38.3	93,774,182.0	37.1	38,910,126.2	40.4	31,311,790.1	49.5
Dragon fruit	36,420,859.8	8.8	55,352,677.8	8.5	110,326,391.1	7.7	57,324,080.7	8.4	35,325,573.6	8.6
Cherry	3,121,433.5	64.3	3,385,170.7	66.7	7,167,973.3	45.3	5,895,502.1	45.4	6,678,432.3	53.7
Grapes	7,196,313.3	22.4	19,920,584.8	19.8	32,228,288.0	15.5	11,783,951.4	18.9	10,535,950.8	15.6
Longan	16,500,953.5	13.5	25,332,345.3	13.4	52,001,663.6	11.0	20,853,043.1	11.2	21,438,492.7	11.4
Mangosteen	6,948,432.5	25.3	15,978,549.8	25.3	8,071,787.5	23.0	1,324,365.9	27.5	2,067,651.3	25.3
Other fruit products										
Tangerine	17,662,164.2	8.6	72,462,331.7	6.3	299,632,467.1	5.4	133,142,205.8	5.5	271,148,945.9	5.5
Apple	5,895,274.4	11.4	43,610,140.2	8.0	113,397,357.3	6.0	59,707,766.9	6.3	65,285,085.7	5.9
Mango	5,978,938.6	8.5	20,731,929.1	8.2	29,459,841.7	7.5	12,819,669.5	7.5	5,654,536.5	7.2
Kiwi	2,914,627.9	12.6	9,529,662.0	11.3	23,761,863.1	9.1	6,057,511.2	10.3	16,943,080.2	8.6
Others ⁽¹⁾	23,117,087.9	9.3	89,842,104.2	8.3	231,319,156.7	7.1	61,269,707.1	8.1	136,677,984.7	7.2
Total	139,593,452.7	14.9	411,114,865.8	14.0	1,001,140,971.5	10.3	409,087,929.8	11.2	603,067,523.8	9.5

Note:

(1) Others primarily include pear, prunus, banana and pomegranate.

In line with our pricing strategy, we generally determine selling price of our fruit products on a cost-plus basis with a mark-up rate, which we decided by taking into account various factors, including prevailing market price for different fruit products, market conditions, consumer preference, historical sales, competition, brands and quality of relevant fruit products. Generally, the fluctuation of our average selling price during the Track Record Period is generally in line with then prevailing market pricing, and represents the impact of supply and demand as well as our capability of controlling our procurement and logistics costs associated with fruit products. We generally set a higher mark-up rate for our branded fruit products than that for our unbranded fruits. For details, please also see “Business — Sales and Marketing — Pricing.”

The average selling price experienced decrease from 2020 to 2021, primarily because the revenue generated from other fruit products increased from 31.7% in 2020 to 42.5% in 2021, attributed to our customers’ recognition of our core fruit products, leading to the decrease in the average selling price as the prices of other fruit products were relatively low. In addition,

FINANCIAL INFORMATION

such decrease was also attributed to the marketing events we launched. Starting from September 2020, we offered customers favourable price to promote sales across substantially all fruit categories in order to further promote our quality fruit products and enhance consumer base, leading to a continuous decrease in average selling price of our fruit products. However, such marketing events enable us to establish our brand and reputation through word-of-mouth recommendation from satisfied customers and through our high-quality fruit. The COVID-19 outbreak in 2020 disrupted the normal operation of fresh fruit retail channels due to a number of restrictions such as limited hours of operation and full-store shutdowns. In addition, COVID-19 outbreak had transformed consumer habits in China, as many people turned to online activities in lieu of physical gatherings, causing a surge in demand for online and community-based services. Under the impact of increasing sales through emerging retailers, our supermarket customers and certain terminal wholesalers experienced decreased sales of fruit products and negotiated with us for certain favorable prices to promote sales. In return, such customers would offer us with more sales channels and the support of opening of more fruit products. As a result, such marketing events enabled us to further expand the layout of our selling and distribution channels and promote our business performance. Furthermore, in recognition of our strong supply chain management capabilities as well as our enhanced relationship with customers, our customers had a rising demand for domestic fruit products with relatively low prices, leading to the decrease in our average selling price of fruit products. In addition, the average selling price of cherry decreased significantly from RMB66.7 per kilogram in 2020 to RMB45.3 per kilogram in 2021, mainly due to a sharp decrease in market demand as a result of the negative news in January 2021 stating that certain batches of cherry imported into China tested positive for COVID-19. While none of our imported fruit products tested positive for COVID-19 during the Track Record Period, we adjusted sales and marketing strategy of our cherry in 2021 in response to such market conditions. The average selling price of cherry increased from RMB45.4 in the five months ended May 31, 2021 to RMB53.7 in the five months ended May 31, 2022, returning to the relatively normal level.

The overall average selling prices decreased from RMB11.2 in the five months ended May 31, 2021 to RMB9.5 in the five months ended May 31, 2022, mainly because the proportion of our other fruit products increased from 38.5% in the five months ended May 31, 2021 to 53.3% in the five months ended May 31, 2022. However, the average selling price of durian surged in 2022. Under the impact of COVID-19, logistics and customs clearance processes for fruit imported from Thailand were drawn out and the inventory turnover of other durian distributors' products was slowed, thereby decreasing the overall procurement amount of durian and lowering its procurement prices in Thailand in the five months ended May 31, 2022. During the same period, since the consumers' demand for durian remained robust, the overall decline in durian importation has led to the increase in the sales price of durian in China. However, leveraging our digitalized end-to-end supply chain, we were able to procure a larger amount of durian than other fruit distributors and this has distinguished us from most other fruit distributors with a stable supply of quality fruit, and our supply chain of durian from Thailand has not been significantly affected by the recurrence of COVID-19 in China in 2022. In line with the market trend and considering the demand-supply relationship of our durian products, we managed to sell our durian at relatively higher prices.

FINANCIAL INFORMATION

Revenue from sales of fruits by brands

The table below sets forth a breakdown of revenue contributions from our branded and unbranded fruit products, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Branded Fruit Products	1,577,686	75.9	4,396,964	76.2	7,532,499	73.3	3,263,187	71.3	4,150,253	72.5
Unbranded Fruit Products	500,011	24.1	1,374,427	23.8	2,747,575	26.7	1,312,464	28.7	1,574,861	27.5
Total	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0

Sales of our branded fruit products continued increasing in an absolute amount during the Track Record Period, mainly due to increase in market demands driven by our successful implementation of branding strategy as well as customers' recognition of our branded fruit products as a result of the premium taste. We steadily promote market recognition and acceptance to our branded fruit products by enhancing quality of our fruit products and improving cost-efficiency in managing supply chain. During the Track Record Period, we invested in expanding portfolio of our branded fruit products. As of May 31, 2022, we had a portfolio of 18 fruit brands, covering 14 categories of fruit. In addition, all of our six core fruit product categories were sold as branded products during the Track Record Period. For details of our branded fruit products, please see "Business — Our Fruit Products and Brands — Our Branded Fruit Products."

The table below sets forth the revenue contribution of our branded fruit products by category for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Core fruit products					
Durian	473,273	2,107,155	3,481,639	1,572,921	1,551,029
Dragon fruit	321,897	471,294	845,676	481,524	302,171
Cherry	200,797	225,795	324,776	267,855	358,495
Grapes	161,273	395,262	500,226	222,863	164,365
Longan	223,293	338,513	572,703	232,948	244,972
Mangosteen	175,466	403,803	185,470	36,434	52,216
Subtotal	1,555,999	3,941,822	5,910,490	2,814,545	2,673,248

FINANCIAL INFORMATION

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Other fruit products					
Tangerine	14,184	170,357	539,317	225,630	794,712
Mango	—	—	221,447	96,361	40,482
Kiwi	6,631	22,608	209,836	62,459	146,355
Others ⁽¹⁾	872	262,177	651,409	64,192	495,456
Subtotal	<u>21,687</u>	<u>455,142</u>	<u>1,622,009</u>	<u>448,642</u>	<u>1,477,005</u>
Total	<u>1,577,686</u>	<u>4,396,964</u>	<u>7,532,499</u>	<u>3,263,187</u>	<u>4,150,253</u>

Note:

(1) Others primarily include pear, prunus, banana and pomegranate.

Sales of our branded fruit products increased from RMB4,397.0 million in 2020 to RMB7,532.5 million in 2021, while the percentage it presented in our total revenue decreased from 76.2% to 73.3% for the same periods. In 2020, there existed a short supply of domestic fruit products in China due to lock-down policies in various regions. As we sourced most of our unbranded fruit products domestically, the percentage of revenue generated from unbranded fruit products were relatively lower. However, most of our branded fruit products are imported from Thailand and Vietnam and were not materially affected by COVID-19 in 2020, primarily because the foreign governments, unlike the PRC government, did not take immediate or extensive restrictive policies after the COVID-19 outbreak. The percentage of revenue generated from sales of branded fruits decreased from 76.2% in 2020 to 73.3% in 2021 was mainly attributed to strong increase in sales of unbranded fruits, such as apple, mainly because of strong market demands for such products. Sales of our branded fruit products increased from RMB3,263.2 million in the five months ended May 31, 2021 to RMB4,150.3 million in the five months ended May 31, 2022, while their shares of our total revenue increased from 71.3% to 72.5% for the same periods.

During the Track Record Period, sales of our unbranded fruit products continued increasing in absolute amount, primarily due to the rising demand for our unbranded fruit products as more and more customers choose to purchase from us in recognition of our quality and strong supply chain management capabilities. During the Track Record Period, we offer sales of unbranded fruits to serve customers with relevant demand who placed orders with us in recognition of our strong supply chain management capability that is crucial to ensure a stable supply of quality fruit products. We benefited from operating this business line of unbranded fruits by improving loyalty of valuable clients and gaining further access to first-hand insights on market trends and consumer preferences of different local markets. Sales of our unbranded fruit products fluctuated as a percentage of our total revenue primarily due to factors mentioned above.

FINANCIAL INFORMATION

Revenue from sales of fruits by distribution channels

The table below sets forth revenue contribution by different distribution channels, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Terminal Wholesalers	1,062,530	51.1	3,040,493	52.7	5,479,191	53.3	2,338,885	51.1	3,268,135	57.1
Emerging Retailers	471,395	22.7	1,005,262	17.4	2,133,588	20.7	1,034,980	22.6	1,184,760	20.7
Supermarket Customers	399,286	19.2	1,072,737	18.6	1,455,368	14.2	637,897	13.9	661,488	11.5
Direct Sales	144,486	7.0	652,899	11.3	1,211,927	11.8	563,889	12.4	610,731	10.7
Total	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0

In line with market practice of our industry, we primarily sold fruit products through terminal wholesalers who are experienced in fruit distribution during the Track Record Period. During the Track Record Period, the continuous increase of revenue generated from terminal wholesalers was primarily due to the increase of the number of terminal wholesalers and the increase of average amount of sales per terminal wholesaler. Our terminal wholesalers generally have optimized local operations with competitive market shares, and strong resources of direct sales within their respective local territories. Our average amount of sales through terminal wholesalers increased in absolute amount from 2019 to 2021, primarily due to increased sales of our fruit products to meet growing market demands driven by customers' strong recognition of premium quality of our fruit products. Our sales through terminal wholesalers as a percentage of our total revenue remained relatively stable in 2019 and 2020. Please see "Business — Our Sales and Distribution Network — Terminal wholesalers" for details.

Revenue generated from supermarket customers increased in absolute amount during the Track Record Period, primarily due to our continuous efforts in expanding our sales to supermarkets in line with our strategy of diversifying sales channels and increased demands for our fruit products among supermarket customers in recognition of our strong supply chain management capacity. During the Track Record Period, the increase in revenue generated from supermarket customers was primarily due to the increase in both the number of supermarket customers and average amount of sales per supermarket customer. Revenue generated from supermarkets as a percentage of our total revenue continued decreasing during the Track Record Period, primarily due to the factors that we strategically focused on capturing business opportunities associated with strong growth of emerging retail channel in China, resulting in the stronger growth in sales through such channel than that through supermarket customers. Please see "Business — Our Sales and Distribution Network — Supermarket customers" for details.

FINANCIAL INFORMATION

In observation of strong growth in consumers' preference for shopping through emerging retail channels, comprising community group buying, chain community-based fresh-food stores and e-commerce, we have been investing in expanding and maintaining our business relationship with relevant entities, particularly those with leading market positions. In addition, the average amount of sales of emerging retailers continued increasing from 2019 to 2021. As a result of our efforts, and in particular, due to customers' recognition on our strong supply chain capability ensuring supply of quality fruit products to strictly meet their specifications, we have achieved continuous increase in sales to emerging retailers in absolute amount during the Track Record Period. Although revenue generated from emerging retailers continued increasing, our sales to emerging retailers as a percentage of total revenue decreased from 22.7% in 2019 to 17.4% in 2020, primarily due to the substantial increase through direct sales channel in 2020. Our sales to emerging retailers as a percentage of revenue increased from 17.4% in 2020 to 20.7% in 2021. Please see "Business — Our Sales and Distribution Network — Emerging retailers" for details.

To better serve our supermarket customers and terminal wholesalers who choose to pick up the goods by themselves, we set up points of sale in many cities, which are generally located in fruit wholesale markets. Other institutional and individual customers who visit the fruit wholesale markets can also purchase fruit products from our points of sale during their visits. During the Track Record Period, the continuous increase in revenue generated from direct sales was attributed to the increase in both the number of points of sale where direct sales took place and the average amount of sales per point of sale. Our average amount of sales per point of sale continued increasing in an absolute amount from 2019 to 2021, primarily due to increased market demands for our fruit products and in line with expansion of our sales and distribution network. Please see "Business — Our Sales and Distribution Network — Direct sales" for details.

The table below sets forth sales volume and average selling price of our fruit products by distribution channels for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	(RMB per kilogram)	(kilograms)	(RMB per kilogram)	(kilograms)	(kilograms)	(RMB per kilogram)	(kilograms)	(RMB per kilogram)	(kilograms)	(RMB per kilogram)
Terminal										
Wholesalers	75,417,425	14.1	231,882,427	13.1	546,118,002	10.0	217,539,788	10.8	367,496,700	8.9
Emerging										
Retailers	26,619,341	17.7	69,678,966	14.4	228,067,588	9.4	92,090,175	11.2	118,343,917	10.0
Supermarket										
Customers	29,302,072	13.6	75,601,703	14.2	127,904,452	11.4	51,103,187	12.5	64,812,866	10.2
Direct Sales	8,254,614	17.5	33,951,769	19.2	90,050,929	12.2	48,354,780	11.7	52,414,040	11.7
Total	139,593,452	14.9	411,114,865	14.0	1,001,140,971	10.3	409,087,930	11.2	603,067,524	9.5

FINANCIAL INFORMATION

We have recorded a general decrease in the average selling price during the Track Record Period, mainly due to our competitive marketing and sales strategy since late 2020 to attract and retain quality customers and to leverage our advantages associated with cost-efficient logistics chain management, as well as scale of economies in line with our business expansion. In addition, such decrease was also attributed to the expansion of our fruit portfolio, in particular, as more and more customers recognized our capability through buying our core fruit products first and they chose to purchase other types of fruits from us as well, consolidating their procurement and inventory management work. Those types of fruit generally carry a lower selling price compared with that of our core fruit products.

Revenue from sales of fruits by geographical locations

The table below sets forth a breakdown of revenue by geographical locations of customers' places of registration for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
East China	981,930	47.3	2,118,380	36.7	3,763,185	36.6	1,614,105	35.3	1,794,381	31.4
Southwest China	463,635	22.3	1,255,378	21.8	2,343,494	22.8	1,159,995	25.3	1,328,429	23.2
South Central China	291,059	14.0	1,341,258	23.2	2,343,429	22.8	935,143	20.4	1,510,256	26.4
Northwest China	113,154	5.4	390,051	6.8	923,838	9.0	395,848	8.7	530,975	9.3
North China	125,757	6.0	440,302	7.6	608,424	5.9	350,551	7.7	351,510	6.1
Northeast China	101,012	4.9	220,506	3.8	293,525	2.9	116,983	2.5	208,652	3.6
Thailand	1,150	0.1	5,516	0.1	3,590	0.0	2,685	0.1	456	0.0
Vietnam	—	0.0	—	0.0	589	0.0	341	0.0	455	0.0
Total	2,077,697	100.0	5,771,391	100.0	10,280,074	100.0	4,575,651	100.0	5,725,114	100.0

In 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, our fresh fruits were mainly sold in East China and Southwest China, representing 69.6%, 58.5%, 59.4%, 60.6% and 54.6%, respectively, of revenue generated from sales of fresh fruits over the same periods. This was due to the stronger brand recognition and broad and loyal consumer base we established in East China, which resulted in higher sales of quality fruit products. Besides, our headquarter and principal place of business is located in Chongqing and we have more advantages in developing and penetrating surrounding market in Southwest China. We intend to continue to penetrate in East China and Southwest China and to explore markets in other areas at the same time.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales consists of costs of fruits, logistics costs, manufacturing costs, labor costs and other costs.

The table below sets forth the major components of our cost of sales in an absolute amount and as a percentage of total cost of sales for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Costs of fruits	1,483,088	88.0	4,298,627	89.3	7,761,264	89.6	3,290,355	85.7	3,981,079	86.5
Logistics costs	118,703	7.0	295,028	6.1	502,669	5.8	385,556	10.0	491,094	10.6
Manufacturing costs	48,622	2.9	111,996	2.3	278,117	3.2	112,978	3.0	94,860	2.1
Labor costs	29,848	1.8	95,766	2.0	96,647	1.1	37,344	1.0	22,054	0.5
Other costs ⁽¹⁾	4,496	0.3	12,802	0.3	28,276	0.3	12,617	0.3	12,649	0.3
Total	1,684,757	100.0	4,814,219	100.0	8,666,973	100.0	3,838,850	100.0	4,601,736	100.0

Note:

(1) Other costs mainly represent tax and surcharges associated with sales of fruit products.

Costs of fruits mainly represent the payments we made to fruit suppliers for purchasing relevant fruit products, which constituted the majority portion of our total cost of sales. During the Track Record Period, our costs of fruits mainly include purchasing costs of our core fruit products – durian, mangosteen, longan, dragon fruit, cherry and grapes, the sales of which, also accounted for the majority portion of our revenue. Our costs of fruits increased during the Track Record Period as our business grew.

Logistics costs mainly represent the (i) expenses paid for services covering transportation of fruit products from places of origin through ports, sales branches, and further to specified destinations; (ii) customs clearance expenses and (iii) loading and unloading expenses. Logistics costs increased throughout the Track Record Period, primarily due to geographic expansion of our sales and distribution network and our increased sales volumes.

Manufacturing costs mainly represent costs of packaging materials, depreciation and utility fees related to the operation of our fruit processing plants in Thailand and Vietnam. Manufacturing costs increased from 2019 to 2021, primarily due to our increased sales volumes.

FINANCIAL INFORMATION

The table below sets forth a breakdown of cost of sales from our branded and unbranded fruit products, each expressed as an absolute amount and as a percentage of our total cost of sales, for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Branded Fruit Products	1,266,372	75.2	3,627,118	75.3	6,276,741	72.4	2,694,725	70.2	3,246,550	70.6
Unbranded Fruit Products	418,385	24.8	1,187,101	24.7	2,390,232	27.6	1,144,125	29.8	1,355,186	29.4
Total	1,684,757	100.0	4,814,219	100.0	8,666,973	100.0	3,838,850	100.0	4,601,736	100.0

Our cost of sales increased continuously during the Track Record Period, primarily due to increase in sales of fruits in line with our business expansion. The cost of sales of our branded fruit products continued increasing, primarily due to our continuous effort to promote sales of our branded fruit products to meet increased market demands, except that, the cost of sales of branded fruits decreased as a percentage of total cost of sales from 75.3% in 2020 to 72.4% in 2021, mainly due to the same reason for the decrease in the percentage the revenue of branded fruit products presented in our total revenue for the same periods. For details, please also see “— Description of Major Components of Our Results of Operations — Revenue — Revenue from sales of fruits by brands.”

The table below sets forth a breakdown of purchases of our core fruit products by geographical locations of suppliers' places of incorporation for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Thailand	405,199	37.3	1,665,928	60.1	2,344,389	56.4	1,228,545	56.7	1,010,806	58.5
Vietnam	93,446	8.6	209,870	7.6	335,611	8.1	228,678	10.5	46,767	2.7
China	587,337	54.1	895,559	32.3	1,476,404	35.5	711,268	32.8	669,011	38.8
Total	1,085,982	100.0	2,771,357	100.0	4,156,404	100.0	2,168,491	100.0	1,726,584	100.0

FINANCIAL INFORMATION

The table below sets forth a breakdown of purchases of our other fruit products by geographical locations of suppliers' places of incorporation for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
China	546,780	95.0	1,587,673	94.5	3,943,918	96.5	1,662,165	96.0	2,640,959	98.1
Thailand	11,338	2.0	56,207	3.3	78,341	1.9	36,723	2.1	36,911	1.4
Vietnam	17,513	3.0	36,355	2.2	63,483	1.6	33,362	1.9	15,590	0.5
Total	575,631	100.0	1,680,235	100.0	4,085,742	100.0	1,732,250	100.0	2,693,460	100.0

In 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, the percentage of purchases of our core fruit products from suppliers incorporated in Thailand and Vietnam amounted to 45.9%, 67.7%, 64.5%, 67.2% and 61.2%, respectively. Starting from 2017, we furthered and strengthened the initiatives of direct sourcing from places of origin in order to maintain a quality and stable supply, as well as cost advantage of our products. The purchase of our core fruit products from Vietnam decreased from RMB228.7 million in the five months ended May 31, 2021 to RMB46.8 million in the five months ended May 31, 2022, primarily due to the decrease in the yield of dragon fruit, resulting in decrease in the procurement and sales of such core fruit products.

The table below sets forth a breakdown of purchases by types of suppliers for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Orchard suppliers ⁽¹⁾	743,050	44.8	3,130,653	70.3	5,739,567	69.6	2,676,372	68.6	2,956,774	66.9
City suppliers ⁽²⁾	191,712	11.5	614,195	13.8	1,427,398	17.3	635,547	16.3	934,851	21.2
Import suppliers ⁽³⁾	219,468	13.2	444,183	10.0	889,633	10.8	485,337	12.4	421,570	9.5
Import agents ⁽⁴⁾	507,383	30.5	262,561	5.9	185,548	2.3	103,485	2.7	106,849	2.4
Total	1,661,613	100.0	4,451,592	100.0	8,242,146	100.0	3,900,741	100.0	4,420,044	100.0

FINANCIAL INFORMATION

Notes:

- (1) Orchard suppliers mainly represent fruit growing bases and orchards.
- (2) City suppliers mainly represent domestic fruit wholesale and trade companies.
- (3) Import suppliers mainly represent domestic trading companies from which we directly procure imported fruits.
- (4) Import agents mainly represent domestic trading companies which we entrust to act as our agents for procurement.

In 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, the percentage of purchases from orchard suppliers amounted to 44.8%, 70.3%, 69.6%, 68.6% and 66.9%, respectively, which was in line with our initiative of direct sourcing from places origin.

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in our cost of sales on our profit from operations during the Track Record Period:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Increase/ (decrease) in profit from operations	Profit from operations	Increase/ (decrease) in profit from operations	Profit from operations	Increase/ (decrease) in profit from operations	Profit from operations	Increase/ (decrease) in profit from operations	Profit from operations	Increase/ (decrease) in profit from operations	Profit from operations
(Decrease)/increase in percentage	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
-5%	84,238	363,764	240,711	1,031,050	433,349	1,759,168	191,943	833,195	230,087	1,148,497
0%	-	279,526	-	790,339	-	1,325,819	-	641,252	-	918,410
+5%	(84,238)	195,288	(240,711)	549,628	(433,349)	892,470	(191,943)	449,309	(230,087)	688,323

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit in an absolute amount and as a percentage of revenue, or gross profit margins, for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	392,940	18.9	957,172	16.6	1,613,101	15.7	736,801	16.1	1,123,378	19.6

(unaudited)

FINANCIAL INFORMATION

Gross profit and gross profit margin by branded and unbranded fruit products

The table below sets forth a breakdown of gross profit and gross profit margin from our branded and unbranded fruit products for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Branded Fruit Products	311,314	19.7	769,846	17.5	1,255,758	16.7	568,462	17.4	903,703	21.8
Unbranded Fruit Products	81,626	16.3	187,326	13.6	357,343	13.0	168,339	12.8	219,675	13.9
Total	392,940	18.9	957,172	16.6	1,613,101	15.7	736,801	16.1	1,123,378	19.6

Our gross profit continued to increase during the Track Record Period. Such increase was primarily due to the increasing sales of our fruit products thanks to our strong supply chain management and our customers' recognition on the quality of our fruit. Besides, in recognition of our established brand reputation, our branded fruit products gained preference of more and more customers.

Our overall gross profit margin decreased from 18.9% in 2019 to 16.6% in 2020 and further decreased to 15.7% in 2021, primarily due to (i) the impact of the marketing events took place since September 2020 where we offered customers with favorable price to promote sales across substantially all fruit categories and (ii) the factor that we continued expanding customer portfolio at different sales channels during the Track Record Period, with a focus on those with large business scale and leading market positions, where we offer favorable pricing terms to new customers at the beginning of our business relationship. Our overall gross profit margin increased from 16.1% in the five months ended May 31, 2021 to 19.6% in the five months ended May 31, 2022, primarily because we gradually phased out marketing events launched in September 2020, which was in line with our marketing strategy and in observation of our established market recognition and has led to the increase in the gross profit margin for our fruit products. In addition, many other fruit distributors in China were unable to supply sufficient fruit products in a timely manner due to COVID-19 in the five months ended May 31, 2022, while we took advantage of our end-to-end supply chain to ensure the stable supply of fruit products. In observation of strong market demand from customers for our fruit products as well as short supply of the market in the five months ended May 31, 2022, we accordingly adjusted and increased the gross profit margin of our fruit products. In particular, the gross profit margin of durian increased from 21.9% in the five months ended May 31, 2021 to 31.2% in the five months ended May 31, 2022, playing an important role in promoting our overall gross profit margin.

FINANCIAL INFORMATION

Branded fruit products generally carry higher gross profit margin than that of unbranded fruit products, primarily representing strong market recognition of our brands and the quality of relevant products, which carry distinguished sensory attributes and are well-positioned to capture and retain preference from customers who are willing to pay a premium for fruit with higher quality and trusted provenance.

Gross profit margin of branded fruit products decreased from 19.7% in 2019 to 17.5% in 2020, and further decreased to 16.7% in 2021, mainly due to the same reason as the change in overall gross profit margin during the same period. Gross profit margin of branded fruit products increased from 17.4% in the five months ended May 31, 2021 to 21.8% in the five months ended May 31, 2022, primarily due to the same reason as the change in overall gross profit margin during the same period.

During the Track Record Period, we sold unbranded fruit products primarily to serve needs for such products from customers who recognize and value our strong supply chain management capacity, which we consider benefit us in the long run. This is because that, by operating this business line, we are able to retain quality customers while accessing first-hand insights on market trends and consumer preferences of different local markets on a broader basis, contributing to our continued optimization of branding strategy evidenced by our successful track record. Gross profit margin of our unbranded fruit products continued decreasing from 2019 to 2021, primarily due to the same reason as the decrease in overall gross profit margin.

Gross profit and gross profit margin by categories

The table below sets forth a breakdown of gross profit and gross profit margin by categories for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit	Gross Profit Margin ⁽¹⁾
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Core fruit products										
Durian ⁽²⁾	99,562	21.0	398,521	18.9	721,660	20.7	344,553	21.9	483,495	31.2
Dragon fruit ⁽³⁾	61,702	19.2	76,910	16.3	97,321	11.5	59,737	12.4	45,406	15.0
Cherry ⁽⁴⁾	38,951	19.4	37,621	16.7	20,938	6.4	18,663	7.0	76,528	21.3
Grapes ⁽⁵⁾	28,445	17.6	60,381	15.3	70,600	14.1	28,780	12.9	28,303	17.2
Longan	45,249	20.3	61,453	18.2	98,493	17.2	44,655	19.2	54,514	22.3
Mangosteen	33,627	19.2	70,860	17.5	28,140	15.2	5,822	16.0	9,250	17.7
Subtotal	307,536	19.8	705,746	17.9	1,037,152	17.5	502,210	17.8	697,496	26.1

FINANCIAL INFORMATION

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin ⁽¹⁾	Gross Profit	Gross Profit Margin ⁽¹⁾
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Other fruit products										
Tangerine ⁽⁶⁾	25,505	16.9	55,472	12.1	200,317	12.4	91,596	12.5	216,608	14.5
Apple	9,529	14.2	47,363	13.5	94,201	13.9	51,970	13.9	55,394	14.3
Mango	9,396	18.4	26,246	15.5	31,675	14.3	14,651	15.2	5,717	14.1
Kiwi	5,982	16.2	16,414	15.2	28,498	13.2	8,491	13.6	22,062	15.1
Others ⁽⁷⁾	34,992	16.3	105,931	14.3	221,258	13.5	67,883	13.7	126,101	12.8
Subtotal	85,404	16.4	251,426	13.7	575,949	13.2	234,591	13.3	425,882	14.0
Total	392,940	18.9	957,172	16.6	1,613,101	15.7	736,801	16.1	1,123,378	19.6

Notes:

- (1) Our gross profit margin increased from 16.1% in the five months ended May 31, 2021 to 19.6% in the five months ended May 31, 2022. In particular, the gross profit margin of our most fruit products experienced increase during the same period, primarily because we gradually phased out marketing events launched in September 2020, which was in line with our marketing strategy and in observation of our established market recognition and has led to the increase in the gross profit margin for our fruit products. In addition, many other fruit distributors in China were unable to supply sufficient fruit products in a timely manner due to the impact of COVID-19 in the five months ended May 31, 2022, while we took advantage of our end-to-end supply chain to ensure the stable supply of fruit products. In observation of strong market demand from customers for our fruit products as well as short supply of the market in the five months ended May 31, 2022, we adjusted and increased the gross profit margin of our fruit products. In particular, the gross profit margin of durian increased from 21.9% in the five months ended May 31, 2021 to 31.2% in the five months ended May 31, 2022, playing an important role in promoting our overall gross profit margin.
- (2) The gross profit margin of durian increased from 21.9% in the five months ended May 31, 2021 to 31.2% in the five months ended May 31, 2022. Under the impact of COVID-19, logistics and customs clearance processes for fruit products imported from Thailand were drawn out and the inventory turnover of other durian distributors' products was slowed, thereby decreasing the overall procurement amount of durian and lowering its procurement price in Thailand in the five months ended May 31, 2022. During the same period, since the consumers' demand for durian remained robust, the overall decline in durian importation has led to an increase in the price of durian in China. However, leveraging our digitalized end-to-end supply chain, we were able to procure a larger amount of durian than other fruit distributors and effectively managed the import logistics by booking exclusive freighters or containers from the third-party logistics service provider, allowing us to closely monitor the measures we had taken to fulfill epidemic prevention requirements of the China customs. Such advantage distinguished us from most other fruit distributors, and our supply chain of durian from Thailand has not been significantly affected by the recurrence of COVID-19 in 2022 in China. As such, we were able to procure durian in Thailand at relatively lower prices and sell durian in China at relatively higher prices. Therefore, the gross profit margin of our durian has increased in the five months ended May 31, 2022. The logistics and customs clearance processes have gradually recovered from June 2022 since the recurrence of COVID-19 has been controlled, thus the procurement price in Thailand and the sales price in China of durian have gradually returned to a normal level.

FINANCIAL INFORMATION

- (3) The gross profit margin of dragon fruit decreased from 16.3% in 2020 to 11.5% in 2021, primarily due to the increasing use of land transportation for dragon fruit instead of sea transportation under the impact of COVID-19, leading to the increase in transportation cost and the decrease in its gross profit margin as transportation cost accounts for a relatively large portion of the cost of sales for dragon fruit. The gross profit margin of dragon fruit increased from 12.4% in the five months ended May 31, 2021 to 15.0% in the five months ended May 31, 2022, primarily because we gradually phased out marketing events launched in September 2020, which was in line with our marketing strategy and in observation of our established market recognition.
- (4) The gross profit margin of cherry decreased significantly from 16.7% in 2020 to 6.4% in 2021, primarily due to a sharp decrease in market demand as a result of the negative news in January 2021 stating that certain batches of cherry imported into China were tested positive for COVID-19. The gross profit margin of cherry increased from 7.0% in the five months ended May 31, 2021 to 21.3% in the five months ended May 31, 2022 since the resurgence of COVID-19 has been effectively controlled and relevant governmental restrictive measures have been gradually lifted, allowing businesses to resume normal operations.
- (5) The gross profit margin of grapes increased from 12.9% in the five months ended May 31, 2021 to 17.2% in the five months ended May 31, 2022, primarily because we gradually phased out marketing events launched in September 2020, which was in line with our marketing strategy and in observation of our established market recognition.
- (6) The gross profit margin of tangerine decreased from 16.9% in 2019 to 12.1% in 2020, primarily because in 2020, we increased sales of domestic tangerine which carries a relatively lower gross profit margin than that of imported tangerine, resulting in the decrease in the gross profit margin of tangerine from 2019 to 2020.
- (7) Others primarily include pear, prunus, banana and pomegranate.

Gross profit and gross profit margin by distribution channels

The table below sets forth a breakdown of gross profit and gross profit margin by distribution channels for the periods indicated:

	Year ended December 31,						Five months ended May 31,																																																																					
	2019		2020		2021		2021		2022																																																																			
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin																																																																		
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%																																																																		
	<i>(unaudited)</i>																																																																											
Terminal											Wholesalers	206,917	19.5	518,096	17.0	907,931	16.6	409,893	17.5	622,440	19.0	Emerging Retailers	89,032	18.9	148,961	14.8	293,872	13.8	155,893	15.1	226,353	19.1	Supermarket											Customers	70,164	17.6	168,052	15.7	204,103	14.0	96,275	15.1	127,761	19.3	Direct Sales	26,827	18.6	122,063	18.7	207,195	17.1	74,740	13.3	146,824	24.0	Total	392,940	18.9	957,172	16.6	1,613,101	15.7	736,801	16.1	1,123,378	19.6
Wholesalers	206,917	19.5	518,096	17.0	907,931	16.6	409,893	17.5	622,440	19.0																																																																		
Emerging Retailers	89,032	18.9	148,961	14.8	293,872	13.8	155,893	15.1	226,353	19.1																																																																		
Supermarket											Customers	70,164	17.6	168,052	15.7	204,103	14.0	96,275	15.1	127,761	19.3	Direct Sales	26,827	18.6	122,063	18.7	207,195	17.1	74,740	13.3	146,824	24.0	Total	392,940	18.9	957,172	16.6	1,613,101	15.7	736,801	16.1	1,123,378	19.6																																	
Customers	70,164	17.6	168,052	15.7	204,103	14.0	96,275	15.1	127,761	19.3																																																																		
Direct Sales	26,827	18.6	122,063	18.7	207,195	17.1	74,740	13.3	146,824	24.0																																																																		
Total	392,940	18.9	957,172	16.6	1,613,101	15.7	736,801	16.1	1,123,378	19.6																																																																		

FINANCIAL INFORMATION

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of staff costs, marketing fees, leasing fees for short-term leases, and cold storage renovation fee.

The table below sets forth a breakdown of our selling and distribution expenses in an absolute amount and as a percentage of our total selling and distribution expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Staff costs	30,499	66.0	57,811	62.3	111,281	60.5	36,070	53.2	50,243	59.9
Marketing fees	8,234	17.8	15,589	16.8	21,749	11.8	12,527	18.5	13,878	16.5
Leasing fees for short-term leases	3,504	7.6	7,631	8.2	21,389	11.6	9,741	14.4	12,091	14.4
Cold storage renovation fee	61	0.1	2,084	2.2	8,062	4.4	4,640	6.8	934	1.1
Utilities	799	1.7	2,049	2.2	5,050	2.8	1,291	1.9	1,735	2.1
Office expenses	1,127	2.4	3,067	3.3	4,201	2.3	1,711	2.5	2,948	3.5
Business trip expenses	439	0.9	625	0.7	1,256	0.7	583	0.9	319	0.4
Others ⁽¹⁾	1,592	3.5	3,887	4.3	10,846	5.9	1,227	1.8	1,765	2.1
Total	46,255	100.0	92,743	100.0	183,834	100.0	67,790	100.0	83,913	100.0

Note:

(1) Others mainly include business development expenses and depreciation.

Our selling and distribution expenses increased by 100.5% from RMB46.3 million in 2019 to RMB92.7 million in 2020 and further increased by 98.2% to RMB183.8 million in 2021. Our selling and distribution expenses increased by 23.8% from RMB67.8 million in the five months ended May 31, 2021 to RMB83.9 million in the five months ended May 31, 2022. Such expenses continued increasing in line with our business growth. Meanwhile, for the years ended December 31, 2019, 2020, and 2021 and the five months ended May 31, 2021 and 2022, selling and distribution expenses account for 2.2%, 1.6%, 1.8%, 1.5% and 1.5%, respectively, of our total revenue for the relevant years and periods. The decrease from 2019 to 2020 was primarily attributed to our continuous efforts in improving cost-efficiency of our sales and marketing work.

Staff costs, including salaries and staff welfare, increased during the Track Record Period, primarily due to the increase of headcounts of selling and marketing employees to support the expansion of our business.

FINANCIAL INFORMATION

Leasing fees for short-term leases represent leasing expenses for short-term leases within 12 months, mainly comprising the amount we paid for leased places for business operations, including sorting centers and warehouses. During the Track Record Period, the number of sorting centers and warehouses continued increasing due to the expansion of our business network.

Marketing fees mainly include advertising and promotion expenses, fees charged by fresh fruit distribution market operators in order to have our fruit products placed in their markets or points of sale, and fees charged by supermarkets in order to hold promotional events of our fruit products. Marketing fees continued increasing from 2019 to 2021 primarily because we strengthened our relationship with customers in line with our business expansion, resulting in increased number of terminal wholesalers and supermarkets we cooperated with.

Cold storage renovation fee is the expense related to the renovation of cold storages equipped in our sorting centers used to preserve our fresh fruit products. During the Track Record Period, we renovated more cold storages to support the expansion of our business operation, leading to continued increase in cold storage renovation fee.

Administrative Expenses

Our administrative expenses primarily consist of staff costs, provision for impairment losses on trade and other receivables, legal and other professional fees, and depreciation and amortization.

The table below sets forth a breakdown of our administrative expenses in an absolute amount and as a percentage of our total administrative expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Provision for impairment losses on trade and other receivables	6,352	7.4	12,079	9.6	28,149	15.0	7,892	14.3	65,901	46.8
Staff costs	28,410	33.2	45,418	36.1	73,283	39.0	22,984	41.6	38,472	27.3
Depreciation and amortization	5,267	6.2	10,954	8.7	23,851	12.7	5,696	10.3	13,616	9.7
Legal and other professional fees	23,383	27.4	29,414	23.4	28,018	14.9	5,320	9.6	9,703	6.9
Office expenses	3,485	4.1	4,684	3.7	4,771	2.5	1,473	2.7	1,328	0.9
Renovation fee	984	1.2	722	0.6	1,857	1.0	962	1.7	305	0.2
Business development expenses	1,734	2.0	2,245	1.8	2,726	1.5	710	1.3	453	0.3
Business trip expenses	1,889	2.2	1,616	1.3	1,789	1.0	457	0.8	425	0.3
Maintenance fee	2,547	3.0	2,265	1.8	877	0.5	449	0.8	339	0.2
Utility fee	263	0.3	492	0.4	1,376	0.7	384	0.7	433	0.3
Fee for use of vehicle	522	0.6	1,092	0.9	1,519	0.8	125	0.2	54	0.0
Share payment expenses	5,855	6.8	2,028	1.6	–	0.0	0	–	0	–
Others ⁽¹⁾	4,804	5.6	12,748	10.1	19,679	10.4	8,787	16.0	9,912	7.1
Total	85,495	100.0	125,757	100.0	187,895	100.0	55,239	100.0	140,941	100.0

FINANCIAL INFORMATION

Note:

- (1) Others mainly include loss of inventory scrap, property management fee and listing expenses.

Our administrative expenses increased by 47.1% from RMB85.5 million in 2019 to RMB125.8 million in 2020 and further increased by 49.4% to RMB187.9 million in 2021. Our administrative expenses increased by 155.1% from RMB55.2 million in the five months ended May 31, 2021 to RMB140.9 million in the five months ended May 31, 2022. During the Track Record Period, our administrative expenses continued increasing in line with our business growth. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, administrative expenses accounted for 4.1%, 2.2%, 1.8%, 1.2% and 2.5%, respectively, of our total revenue for the relevant periods. The decrease in percentage from 2019 to 2021, primarily due to the growth rate of our revenue outweighed that of our administrative expenses, benefiting from the expansion of our business.

Staff costs represent the salaries and staff welfare we paid for our administrative staff. Staff costs continued increasing during the Track Record Period primarily because we hired more professional management staff in line with our business expansion. The increase was also partially attributable to an increase in the average wage rate.

Provision for impairment losses on trade and other receivables represents the loss allowance recognized for expected credit losses on trade and other receivables measured at amortized cost. The increase in provision for impairment losses on trade and other receivables during the Track Record Period was mainly caused by increase in our trade and other receivables in line with expansion of our business and sales. Please also see “— Net Current Assets/Liabilities — Trade and Other Receivables.” During the Track Record Period, provision for impairment losses on trade and other receivables accounted for 0.5%, 0.4%, 0.5% and 0.9%, respectively, of our trade and other receivables, for the relevant periods. The increase to 0.9% in the five months ended May 31, 2022 was primarily because we adopted a more prudent credit policy that credit period for contracts with new customers and renewed contracts with existing customers shall not exceed 90 days generally and we made provision for impairment losses on trade receivables in line with our prudent accounting policy. The stable trend of such percentage was mainly caused by our successful collection of trade receivables and our efforts of engaging in customers with strong creditworthiness. At the end of each year or period, our trade receivables that were overdue for one to six months were mostly recovered through our improved collection management, resulting in a decrease in the proportion of trade receivable balances that were overdue for more than six months. Based on the expected credit impairment loss model, the expected loss rate of loss allowance for one to six months past due trade receivable is 8.8%, 5.4%, 5.5% and 3.5% as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. All of this proved our successful collection of trade receivables. For further details, please also refer to Note 26(a) set out in the Accountants’ Report to the Prospectus.

Legal and other professional fees mainly represent the service fees in connection with investment consulting services, legal services and accounting services provided by third-party professional firms. The increase of legal and other professional fees from 2019 to 2021 are

FINANCIAL INFORMATION

mainly caused by our continued financing activities to fund our business expansion, particular expansion of our supply chain management capacity and sales and distribution network in China. For details of our Pre-IPO Investments, please also see “History, Development and Corporate Structure — Major Shareholding Changes of Our Group — Our Company — 3. Pre-IPO Investments and Shareholding Changes of Our Company.”

Depreciation and amortization mainly represent depreciation charges for machinery and equipment and depreciation expense for long-term leases of warehouses and sorting centers. Depreciation and amortization continued increasing during the Track Record Period mainly because we acquired more equipments and leased more facilities in line with our business expansion.

Other Net Income

Our other net income primarily consists of government grants, net exchange (losses)/gains and changes in fair value of financial assets measured at FVPL. The table below sets forth a breakdown of our other net income for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Government grants	14,870	44,124	83,179	24,743	51,336
Net exchange (losses)/gains	633	3,798	(2,561)	209	(36,983)
Interest income from bank deposits	714	1,247	1,876	758	390
Changes in fair value of financial assets measured at FVPL	1,686	3,911	1,464	896	55
Others ⁽¹⁾	1,024	897	4,036	2,135	7,198
Total	18,927	53,977	87,994	28,741	21,996

Note:

(1) Others mainly include income generated from sales of packaging materials and low-value consumables.

Government grants represent the awards local government rewarded to us in recognition of our contribution to local economy. In particular, during the Track Record Period, People’s Government of Shizhu Tujia Autonomous County (石柱土家族自治县人民政府) granted subsidiaries amounting to RMB187.7 million, representing 6.9% of our total adjusted profit (non-IFRS measure), as rewards to our contribution to the local economic growth and our investments in local settlement base, which constitutes a majority portion of government grants. The government grants received are usually not subject to fulfillment of further conditions. There are no unfulfilled conditions or contingencies attached to the government grants. In order to accelerate local economic development, the People’s Government of Shizhu Tujia Autonomous County stipulated that all enterprises establishing headquarters or branches

FINANCIAL INFORMATION

in Shizhu County would be eligible to receive government grants. During the Track Record Period, as we established our local settlement base and conduct business operation in Shizhu County, we were entitled to receive such grants in recognition of our contribution to local economy. Under our cooperation agreement with People's Government of Shizhu Tujia Autonomous County, we will report our economic contributions to government authority monthly and the government will return us a portion of tax revenue contributed by us according to the stipulated proportion under the agreement. As our revenue continued increasing during the Track Record Period, the amount of government grants we received continued increasing as the amount of government grants is generally related to our contribution to local economy. On September 24, 2021, we renewed the 10-year cooperation agreement with People's Government of Shizhu Tujia Autonomous County and expect to continue to receive such grants in the future.

Our net exchange (losses)/gains were primarily related to financial assets or liabilities denominated in foreign currencies, including US dollars, Thai Baht and Vietnamese Dong, which were subject to the turbulence of foreign exchange rate.

Changes in fair value of financial assets increased from RMB1.7 million in 2019 to RMB3.9 million in 2020 mainly because we purchased certain wealth management products from reputable commercial banks in line with our cash management policies. Changes in fair value of financial assets decreased from RMB3.9 million in 2020 to RMB1.5 million in 2021 because we redeemed some wealth management products in 2021.

Other Expenses

Our other expenses mainly represent depreciation and renovation expenses related to the investment properties. Our other expenses increased by 290.9% from RMB0.6 million in 2019 to RMB2.3 million in 2020 and further increased by 53.5% to RMB3.5 million in 2021. Our other expenses increased by 67.3% from RMB1.3 million in the five months ended May 31, 2021 to RMB2.1 million in the five months ended May 31, 2022.

Finance Costs

Finance costs during the Track Record Period mainly represent the interest expenses on our bank loans and other borrowings and lease liabilities. Finance costs amounted to RMB2.4 million, RMB5.6 million, RMB29.1 million, RMB9.1 million and RMB22.4 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022. The increase during the Track Record Period in finance costs was mainly caused by (i) our continued financing activities and increase of bank loans and other borrowings, proceeds of which were used to fund expansion of our supply chain and sales and distribution network in China, in particular, our bank loans and other borrowings increased from RMB107.1 million as of December 31, 2020 to RMB874.7 million as of December 31, 2021 and (ii) increase in leased facilities in line with our business expansion.

FINANCIAL INFORMATION

Changes in the carrying amount of liabilities recognized for preferential rights issued to investors

We recognized the financial instruments issued to investors as financial liabilities, because these financial instruments did not meet the definition of equity for the Company. Any changes in the carrying amount of the financial liabilities resulting from the revision of estimated contractual cash flows were recognized in profit or loss as changes in the carrying amount of liabilities recognized for preferential rights issued to investors. Please also see “— Consolidated Statements of Profit or Loss — Non-IFRS Measure.” Changes in the carrying amount of liabilities recognized for preferential rights issued to investors amounted to RMB65.2 million, RMB659.6 million, RMB797.2 million, RMB528.3 million and nil, respectively, during the Track Record Period. For details of our Pre-IPO Investments, please also see “History, Development and Corporate Structure — Major Shareholding Changes of Our Group — Our Company — 3. Pre-IPO Investments and Shareholding Changes of our Company.”

Income Tax

Income tax primarily represents income tax expenses borne by us under relevant PRC income tax rules and regulations as well as relevant income tax laws under different foreign jurisdictions.

The table below sets forth a breakdown of our income tax expenses in an absolute amount for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Current tax					
Provision for the year					
— The PRC Corporate Income Tax	45,360	115,793	191,720	89,493	124,269
— Overseas Income Tax	4,132	9,310	16,936	11,292	38,974
	<u>49,492</u>	<u>125,103</u>	<u>208,656</u>	<u>100,785</u>	<u>163,243</u>
Deferred tax					
Origination and reversal of temporary differences					
	(630)	(2,699)	(1,563)	(2,030)	(11,737)
Total	<u>48,862</u>	<u>122,404</u>	<u>207,093</u>	<u>98,755</u>	<u>151,506</u>

FINANCIAL INFORMATION

The Company and its branches were incorporated in the PRC. Under the relevant PRC corporate income tax law and respective regulations, the Company and its branches within the Group are subject to corporate income tax at the statutory rate of 25% for the Track Record Period unless otherwise specified below.

The Company and certain branches fall within the state encouraged industries in the specified western regions and are entitled to enjoy the preferential income tax rate of 15% from January 1, 2011 to December 31, 2030. For details, please see Note 7(b) to the Accountants' Report set out in Appendix I to this Prospectus.

Effective tax rate (calculated as income tax divided by profit before taxation) was 23.1%, 97.8%, 41.5%, 95.1% and 16.9%, respectively, for the relevant periods. Our profit before taxation was RMB212.0 million, RMB125.2 million, RMB499.5 million, RMB103.8 million and RMB896.0 million for the relevant periods, respectively. We recognized the financial instruments issued to investors as financial liabilities, affecting our profit before taxation during the Track Record Period. Upon termination of the preferential rights on September 6, 2021, the Pre-IPO Investments have been converted into equity of the Company and we do not have any financial instruments issued to investors.

We are subject to various rates of income tax under different foreign jurisdictions, including Thailand, Vietnam, Chile and Philippines. For details, please see Note 7(b) to the Accountants' Report set out in Appendix I to this Prospectus.

Our income tax increased by 150.5% from RMB48.9 million in 2019 to RMB122.4 million in 2020 and further increased by 69.2% to RMB207.1 million in 2021. Our income tax increased by 53.4% from RMB98.8 million in the five months ended May 31, 2021 to RMB151.5 million in the five months ended May 31, 2022. The increase was in line with our business growth.

As of the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

Profit for the Year/Period

As a result of foregoing, our profit for the year/period decreased by 98.3% from RMB163.1 million in 2019 to RMB2.8 million in 2020 and further increased by 10,518.8% to RMB292.4 million in 2021. Our profit for the year/period increased by 14,532.9% from RMB5.1 million in the five months ended May 31, 2021 to RMB744.5 million in the five months ended May 31, 2022.

The changes in the carrying amount of liabilities recognized for preferential rights issued to investors was a non-cash item.

FINANCIAL INFORMATION

Adjusted Profit (non-IFRS measure)

Our adjusted profit (non-IFRS measure) increased by 190.2% from RMB228.3 million in 2019 to RMB662.4 million in 2020 and further increased by 64.5% to RMB1,089.6 million in 2021. Our adjusted profit (non-IFRS measure) increased from RMB533.4 million in the five months ended May 31, 2021 to RMB744.5 million in the five months ended May 31, 2022. Adjusted profit (non-IFRS measure) was adjusted by deducting changes in the carrying amount of liabilities recognized for preferential rights issued to the investors from profit for the year. We eliminate the potential impacts of this item as it is a non-cash item in nature. For more details, please see “— Consolidated Statements of Profit or Loss — Non-IFRS Measure.”

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five Months Ended May 31, 2022 Compared to Five Months Ended May 31, 2021

Revenue

Our revenue increased by 25.1% from RMB4,575.7 million in the five months ended May 31, 2021 to RMB5,725.1 million in the five months ended May 31, 2022. The increase in revenue was primarily due to the increase in sales volume of our fruit products, driven by increased market demands for our quality fruit products as a result of customers’ recognition on our strong supply chain management capabilities.

Revenue from sales of fruits by categories

Sales of six core fruit products decreased by 5.0% from RMB2,814.5 million in the five months ended May 31, 2021 to RMB2,673.2 million in the five months ended May 31, 2022, representing 61.5% and 46.7% of our total revenue for the relevant periods. The decrease in both absolute amount and percentage was primarily due to the decrease in the yield of dragon fruit as well as the decreased sales of durian since its harvest season in Thailand was delayed for approximately one month. Such a delay was primarily caused by the local weather conditions in Thailand, which delayed the ripening time of durian, as well as the local government control on durian picking, resulting in a lag in the peak sales season of our durian products and the overall decrease in the procurement and sales of such core fruit products.

Revenue from sales of fruits by brands

Sales of our branded fruit products increased by 27.2% from RMB3,263.2 million in the five months ended May 31, 2021 to RMB4,150.3 million in the five months ended May 31, 2022, representing 71.3% and 72.5% of our total revenue for the relevant periods. The increase in absolute amount was mainly due to increase in market demands as a result of our successful branding strategy.

FINANCIAL INFORMATION

Revenue from sales of fruits by distribution channels

Revenue generated from terminal wholesalers increased by 39.7% from RMB2,338.9 million in the five months ended May 31, 2021 to RMB3,268.1 million in the five months ended May 31, 2022, representing 51.1% and 57.1% of our total revenue for the relevant periods. The increase both in an absolute amount and as a percentage was mainly attributed to the increasing demand thanks to our established brand reputation and customers' recognition on the quality of our fruit products.

Cost of Sales

Cost of sales increased by 19.9% from RMB3,838.9 million in the five months ended May 31, 2021 to RMB4,601.7 million in the five months ended May 31, 2022. This increase in absolute amount was in line with the growth of our sales. The cost of sales of our branded fruit products increased from RMB2,694.7 million to RMB3,246.6 million, primarily due to the increased sales of our fruit products to meet increased market demands.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB736.8 million in the five months ended May 31, 2021 to RMB1,123.4 million in the five months ended May 31, 2022. Our gross profit margin increased from 16.1% in the five months ended May 31, 2021 to 19.6% in the five months ended May 31, 2022, primarily because we gradually phased out marketing events launched in September 2020, which was in line with our marketing strategy and in observation of our established market recognition. In addition, many other fruit distributors in China were unable to supply sufficient fruit products in a timely manner due to COVID-19 in the five months ended May 31, 2022, while we took advantage of our end-to-end supply chain to ensure the stable supply of fruit products. In observation of strong market demand from customers for our fruit products as well as short supply of the market in the five months ended May 31, 2022, we adjusted and increased the gross profit margin of our fruit products. In particular, the gross profit margin of durian increased from 21.9% in the five months ended May 31, 2021 to 31.2% in the five months ended May 31, 2022, playing an important role in promoting our overall gross profit margin.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 23.8% from RMB67.8 million in the five months ended May 31, 2021 to RMB83.9 million in the five months ended May 31, 2022. The increase in selling and distribution expenses was primarily due to (i) the increase in staff costs of RMB14.2 million to support our business growth; and (ii) the increase in leasing fees for short term leases of RMB2.4 million in line with increased leasing facilities due to the expansion of our business.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses increased by 155.1% from RMB55.2 million in the five months ended May 31, 2021 to RMB140.9 million in the five months ended May 31, 2022. The increase in administrative expenses was primarily due to (i) the increase in staff costs of RMB15.5 million in line with our business expansion and (ii) the increase in provision for impairment losses on trade and other receivables of RMB58.0 million caused by increase in our trade and other receivables in line with expansion of our business and sales.

Other Net Income

Other net income decreased by 23.5% from RMB28.7 million in the five months ended May 31, 2021 to RMB22.0 million in the five months ended May 31, 2022. The decrease in other net income was primarily attributed to the net exchange losses of RMB37.2 million, partially offset by the increase in government grant of RMB26.6 million. Our net exchange losses increased as a result of the fluctuations in the exchange rates of Renminbi against the U.S. dollars as well as the increase in our bank loans denominated in U.S. dollars as of May 31, 2022 compared to December 31, 2021.

Other Expenses

Other expenses increased by 67.3% from RMB1.3 million in the five months ended May 31, 2021 to RMB2.1 million in the five months ended May 31, 2022.

Changes in the Carrying Amount of Liabilities Recognized for Preferential Rights Issued to Investors

Changes in the carrying amount of liabilities recognized for preferential rights issued to investors amounted to RMB528.3 million in the five months ended May 31, 2021 and nil in the five months ended May 31, 2022.

We consider such financial liabilities to be a non-cash item.

Income Tax

Our income tax increased by 53.4% from RMB98.8 million in the five months ended May 31, 2021 to RMB151.5 million in the five months ended May 31, 2022. The increase in income tax was primarily in line with our business growth.

Profit for the Period

As a result of foregoing, our profit for the period was RMB5.1 million in the five months ended May 31, 2021 and RMB744.5 million in the five months ended May 31, 2022.

FINANCIAL INFORMATION

The changes in the carrying amount of liabilities recognized for preferential rights was a non-cash item.

Adjusted Profit (non-IFRS measure)

Our adjusted profit (non-IFRS measure) increased by 39.6% from RMB533.4 million in the five months ended May 31, 2021 to RMB744.5 million in the five months ended May 31, 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 78.1% from RMB5,771.4 million in 2020 to RMB10,280.1 million in 2021. The increase in revenue was primarily due to the increase in sales volume of our fruit products, driven by increased market demands for our quality fruit products as a result of customers' recognition on our strong supply chain management capabilities.

Revenue from sales of fruits by categories

Sales of six core fruit products increased by 49.9% from RMB3,941.8 million in 2020 to RMB5,910.5 million in 2021, representing 68.3% and 57.5% of our total revenue for the relevant years.

The increase in absolute amount was mainly driven by strong market demands for these fruits. In particular, sales of durian increased from RMB2,107.2 million in 2020 to RMB3,481.6 million in 2021.

The percentage of sales of core fruit products decreased significantly from 68.3% in 2020 to 57.5% in 2021, primarily due to the factors that we increased sales of other fruit categories to meet growing demands from customers for relevant fruits, who recognize and value our supply chain management capability of providing stable supply of quality fruit products. In particular, the supply of domestic fruit products was in short in China due to lock-down policies in various regions in 2020. Because we sourced most of our six core fruit products from Thailand and Vietnam, the percentage of revenue generated from six core fruit products were relatively high in 2020.

Revenue from sales of fruits by brands

Sales of our branded fruit products increased by 71.3% from RMB4,397.0 million in 2020 to RMB7,532.5 million in 2021, representing 76.2% and 73.3% of our total revenue for the relevant periods.

The increase in absolute amount was mainly due to increase in market demands as a result of our successful branding strategy.

FINANCIAL INFORMATION

The percentage of revenue generated from branded fruit products decreased significantly in 2021. In 2020, there existed a short supply of domestic fruit products in China due to lock-down policies in various regions. As we sourced most of our unbranded fruit products domestically, the percentage of revenue generated from unbranded fruit products were relatively lower. However, most of our branded fruit products are imported from Thailand and Vietnam and were not materially affected by COVID-19 in 2020, primarily because the foreign governments, unlike the PRC government, did not take immediate or extensive restrictive policies after the COVID-19 outbreak.

Revenue from sales of fruits by distribution channels

Revenue generated from our terminal wholesalers increased by 80.2% from RMB3,040.5 million in 2020 to RMB5,479.2 million in 2021, representing 52.7% and 53.3% of our total revenue for the relevant periods. The increase both in an absolute amount and as a percentage was mainly attributed to the increasing demand thanks to our established brand reputation and customers' recognition on the quality of our fruit products.

Revenue generated from our supermarket customers increased by 35.7% from RMB1,072.7 million in 2020 to RMB1,455.4 million in 2021, representing 18.6% and 14.2% of our total revenue for the relevant periods. The increase in absolute amount mainly was attributed to the increased demand for our high-quality fruit products as well as our continuous efforts in expanding sales of our fruit products to supermarkets. The decrease in percentage was primarily due to the significant increase in sales to emerging retailers. Sales through such channel has experienced stronger growth than that in sales to supermarket customers.

Cost of Sales

Cost of sales increased by 80.0% from RMB4,814.2 million in 2020 to RMB8,667.0 million in 2021. This increase in absolute amount was in line with the growth of our sales. The cost of sales of our branded fruit products increased from RMB3,627.1 million to RMB6,276.7 million, primarily due to the increased sales of our fruit products to meet increased market demands. The decrease in percentage of cost of sales of our branded fruit products in 2021 was primarily due to the same reason for the decrease in the percentage the revenue of branded fruit products presented in our total revenue for the same periods.

Gross Profit and Gross Profit Margin

Our gross profit increased by 68.5% from RMB957.2 million in 2020 to RMB1,613.1 million in 2021. The increase in absolute amount was attributed to the increasing sales of six core fruit products thanks to our supply chain management and our customers' recognition on the quality of our fruit products. However, our gross profit margin decreased from 16.6% in 2020 to 15.7% in 2021. Such decrease was primarily due to (i) the impact of the marketing events took place since September 2020 where we offered customers with favorable price to promote sales across substantially all fruit categories and (ii) the factor that we continued

FINANCIAL INFORMATION

expanding customer portfolio at different sales channels during the Track Record Period, with a focus on those with large business scale and leading market positions, where we offer favorable pricing terms to new customers at the beginning of our business relationship.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 98.2% from RMB92.7 million in 2020 to RMB183.8 million in 2021. The increase in selling and distribution expenses was primarily due to (i) the increase in staff costs of RMB53.5 million to support our business growth; (ii) the increase in leasing fees for short-term leases of RMB13.8 million in line with increased leasing facilities due to the expansion of our business and (iii) the increase in cold storage renovation fee of RMB6.0 million as we renovated more cold storages to support the expansion of our business operation.

Administrative Expenses

Our administrative expenses increased by 49.4% from RMB125.8 million in 2020 to RMB187.9 million in 2021. The increase in administrative expenses was primarily due to (i) the increase in staff costs of RMB27.9 million in line with our business expansion and (ii) the increase in depreciation and amortization as we purchased more equipments and leased more facilities in line with our business expansion.

Other Net Income

Other net income increased by 63.0% from RMB54.0 million in 2020 to RMB88.0 million in 2021. The increase in other net income was primarily attributed to the increase of RMB39.1 million in government grants, partially offset by the increase in net exchange losses of RMB6.4 million.

Other Expenses

Other expenses increased by 53.5% from RMB2.3 million in 2020 to RMB3.5 million in 2021.

Finance Costs

Our finance costs increased by 422.0% from RMB5.6 million in 2020 to RMB29.1 million in 2021. The increase was primarily due to (i) our continued financing activities and increase of bank loans and other borrowings, in particular, our bank loans and other borrowings increased from RMB107.1 million as of December 31, 2020 to RMB874.7 million as of December 31, 2021, the proceeds of which were used to fund expansion of our supply chain and sales and distribution network in China and (ii) the increase in leased facilities in line with our business expansion.

FINANCIAL INFORMATION

Changes in the Carrying Amount of Liabilities Recognized for Preferential Rights Issued to Investors

Changes in the carrying amount of liabilities recognized for preferential rights issued to investors amounted to RMB659.6 million in 2020 and RMB797.2 million in 2021.

We consider such financial liabilities to be a non-cash item.

Income Tax

Our income tax increased by 69.2% from RMB122.4 million in 2020 to RMB207.1 million in 2021. The increase in income tax was primarily in line with our business growth.

Profit for the Year

As a result of foregoing, our profit for the year was RMB2.8 million in 2020 and RMB292.4 million in 2021.

The changes in the carrying amount of liabilities recognized for preferential rights was a non-cash item.

Adjusted Profit (non-IFRS measure)

Our adjusted profit (non-IFRS measure) increased by 64.5% from RMB662.4 million in 2020 to RMB1,089.6 million in 2021.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue increased by 177.8% from RMB2,077.7 million in 2019 to RMB5,771.4 million in 2020. The increase was primarily due to the increased sale of our fruit products, which was mainly attributable to the increased sales volume of our fruit products, driven by increased market demands for our quality fruit products as a result of customers' recognition on our strong supply chain management capabilities.

Revenue from sales of fruits by categories

Sales of six core fruit products increased by 153.3% from RMB1,556.0 million in 2019 to RMB3,941.8 million in 2020, representing 74.9% and 68.3% of our total revenue for the relevant years. The increase in absolute amount was driven by strong market demands for these fruits. In particular, sales of durian increased from RMB473.3 million in 2019 to RMB2,107.2 million in 2020. The percentage decreased because we increased sales of other fruit categories in order to better serve the increasing demands of consumers for those fruit products.

FINANCIAL INFORMATION

Revenue from sales of fruits by brands

Sales of our branded fruit products increased by 178.7% from RMB1,577.7 million in 2019 to RMB4,397.0 million in 2020, representing 75.9% and 76.2% of our total revenue for the relevant years. The increase in an absolute amount and as a percentage was mainly due to the increased sales volume and price of substantially all of our branded fruit products. We took continuous efforts in implementing our branding strategy, leading to the increased demand of customers for our branded fruit products.

Revenue from sales of fruits by distribution channels

Revenue generated from emerging retailers increased by 113.3% from RMB471.4 million in 2019 to RMB1,005.3 million in 2020, representing 22.7% and 17.4% of our total revenue for the relevant years. The increase in absolute amount was attributed to the increasing demand for our high-quality fruit products as well as our strong supply chain management capabilities. The decrease in percentage was primarily due to the substantial increasing sales of fruit products through direct sales in order to better serve the growing demand of customers. For details, please also see “— Description of Major Components of Our Results of Operations — Revenue — Revenue from Sales of Fruits by Distribution Channels.”

Revenue generated from direct sales increased by 351.9% from RMB144.5 million in 2019 to RMB652.9 million in 2020, representing 7.0% and 11.3% of our total revenue for the relevant years. The increase both in an absolute amount and percentage was primarily due to increased market demands for our fruits in line with the expansion of our sales and distribution channel. The direct sales channel enables institutional and individual customers to visit our sales branches and points of sale for direct procurement of fruits in an easy and convenient way.

Cost of Sales

Our cost of sales increased by 185.8% from RMB1,684.8 million in 2019 to RMB4,814.2 million in 2020. The increase in cost of sales from 2019 to 2020 was primarily due to the increase in costs of fruits sold, which was due to our increased sales volume as the fruits we sold were favored by consumers. The cost of sales of our branded fruit products increased from RMB1,266.4 million in 2019 to RMB3,627.1 million in 2020, primarily due to the increased sales of our branded fruit products. The percentage of cost of sales of our branded fruit products remained relatively stable at 75.2% in 2019 and 75.3% in 2020.

Gross Profit and Gross Profit Margin

Our gross profit increased by 143.6% from RMB392.9 million in 2019 to RMB957.2 million in 2020. The increase was in line with growth and expansion of our business. Our gross profit margin decreased from 18.9% in 2019 to 16.6% in 2020, primarily due to (i) the impact of the marketing events took place since September 2020 where we offered customers with favorable price to promote sales across substantially all fruit categories and (ii) the factor that

FINANCIAL INFORMATION

we continued expanding customer portfolio at different sales channels during the Track Record Period, with a focus on those with large business scale and leading market positions, where we offer favorable pricing terms to new customers at the beginning of our business relationship.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 100.5% from RMB46.3 million in 2019 to RMB92.7 million in 2020, which was primarily due to (i) the increase in staff costs of RMB27.3 million to support our business growth; (ii) the increase in leasing fees for short term leases of RMB4.1 million in line with the expansion of our business and (iii) the increase in marketing fee of RMB7.4 million caused by the increased amount of terminal wholesalers and supermarkets we cooperated with.

Administrative Expenses

Our administrative expenses increased by 47.1% from RMB85.5 million in 2019 to RMB125.8 million in 2020, primarily due to (i) the increase in staff costs of RMB17.0 million as we hired more administrative staff; (ii) the increase in provision for impairment losses on trade and other receivables of RMB5.7 million, as a result of the increase in our trade and other receivables and (iii) the increase in legal and other professional fees of RMB6.0 million caused by our increasing financing activities.

Other Net Income

Other net income increased by 185.2% from RMB18.9 million in 2019 to RMB54.0 million in 2020, which was primarily due to (i) the increase in government grants of RMB29.3 million and (ii) the increase in net exchange gains of RMB3.2 million.

Other Expenses

Other expenses increased by 290.9% from RMB0.6 million in 2019 to RMB2.3 million in 2020.

Finance Costs

Finance costs increased from RMB2.4 million in 2019 to RMB5.6 million in 2020. The increase was primarily due to our continued financing activities and increase in bank loans and other borrowings, proceeds of which were utilized to fund expansion of our supply chain and sales and distribution network.

Changes in the Carrying Amount of Liabilities Recognized for Preferential Rights Issued to Investors

Changes in the carrying amount of liabilities recognized for preferential rights issued to investors increased from RMB65.2 million in 2019 to RMB659.6 million in 2020.

We consider such financial liabilities to be a non-cash item.

FINANCIAL INFORMATION

Income Tax

Our income tax increased from RMB48.9 million in 2019 to RMB122.4 million in 2020. The increase in income tax was primarily in line with our business growth.

Profit for the Year

As a result of foregoing, our profit for the year decreased from RMB163.1 million in 2019 to RMB2.8 million in 2020.

The changes in the carrying amount of liabilities recognized for preferential rights issued to investors was a non-cash item.

Adjusted Profit (non-IFRS measure)

Our adjusted profit (non-IFRS measure) increased by 190.2% from RMB228.3 million in 2019 to RMB662.4 million in 2020.

NET CURRENT ASSETS/LIABILITIES

The following table sets forth the breakdown of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of May 31,	As of June 30,
	2019	2020	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(unaudited)</i>
Current Assets					
Inventories	72,286	99,287	224,602	325,097	217,227
Trade and other receivables	1,383,942	2,929,103	5,133,722	7,006,969	7,277,549
Financial assets measured at fair value through profit or loss	260,551	162,729	10,000	–	–
Cash and cash equivalents	175,944	376,153	239,534	68,977	389,049
Total current assets	1,892,723	3,567,272	5,607,858	7,401,043	7,883,825
Current liabilities					
Trade and other payables	87,870	151,638	325,411	608,575	671,313
Bank loans and other borrowings	1,000	67,002	874,650	1,576,218	1,860,215
Lease liabilities	4,098	6,539	19,252	19,336	20,598
Financial instruments issued to investors	1,827,004	3,327,908	–	–	–
Taxation payable	48,956	69,646	92,131	161,503	195,252
Total current liabilities	1,968,928	3,622,733	1,311,444	2,365,632	2,747,378
Net current (liabilities)/assets	(76,205)	(55,461)	4,296,414	5,035,411	5,136,447

FINANCIAL INFORMATION

Our net current liabilities amounted to RMB76.2 million, RMB55.5 million as of December 31, 2019 and 2020. Our net current liabilities were primarily attributed to financial instruments issued to investors as well as the increase in trade and other payables and bank loans and other borrowings. First, we recognized the financial instruments issued to investors as financial liabilities, because these financial instruments did not meet the definition of equity for the Company. Our financial instruments issued to investors amounted to RMB1,827.0 million and RMB3,327.9 million as of December 31, 2019 and 2020. Please also see “— Consolidated Statements of Profit or Loss — Non-IFRS Measure.” Our trade payables increased from RMB57.6 million as of December 31, 2019 to RMB110.2 million as of December 31, 2020, primarily due to increased procurement driven by strong growth in market demands for our fruit products, as a result of our successful expansion of business and implementation of branding strategy. In addition, our bank loans and other borrowings (current portion) increased from RMB1.0 million as of December 31, 2019 to RMB67.0 million as of December 31, 2020, the proceeds of which were used to further expand our business. Our net current liabilities as of each of these dates were primarily attributable to non-cash impact of preferential rights we granted to Pre-IPO Investors according to relevant investment agreements. Upon termination of the preferential rights on September 6, 2021, the financial instruments issued to investors have been converted into equity of the Company, as a result of which, our Group has returned to a net current asset position. Our net current assets amounted to RMB4,296.4 million as of December 31, 2021.

Our net current assets increased from RMB5,035.4 million as of May 31, 2022 to RMB5,136.4 million as of June 30, 2022, primarily due to the increase in cash and cash equivalents of RMB320.1 million.

Our net current assets increased from RMB4,296.4 million as of December 31, 2021 to RMB5,035.4 million as of May 31, 2022, primarily representing (i) the increase in trade and other receivables of RMB1,873.2 million, partially offset by the increase in bank loans and other borrowings of RMB701.6 million.

Our net current liabilities was RMB55.5 million as of December 31, 2020, and turned to net current assets of RMB4,296.4 million as of December 31, 2021, primarily representing (i) increase in trade and other receivables of RMB2,204.6 million due to increase in sales of our fruit products in line with our business expansion; (ii) decrease in financial instruments issued to investors of RMB3,327.9 million and (iii) increase in our bank loans and other borrowings of RMB807.6 million, where we utilized proceeds to fund our business expansion.

Our net current liabilities decreased from RMB76.2 million as of December 31, 2019 to RMB55.5 million as of December 31, 2020, primarily representing increase in our trade and other receivables of RMB1,545.2 million primarily due to increase in sales of our fruit products in line with our business expansion. The increase was partially offset by (i) increase in financial instruments issued to investors of RMB1,500.9 million due to changes in the carrying amount of liabilities recognized for preferential rights issued to investors; (ii) increase in trade

FINANCIAL INFORMATION

and other payables of RMB63.8 million mainly due to our increase in procurement of fruit products in line with our business expansion and (iii) increase in bank loans and other borrowings of RMB66.0 million, where we utilized proceeds to fund our business expansion.

In the opinion of the Directors, taking into account the net proceeds from the Global Offering and the financial resources available to us, including cash and cash equivalents, our available banking facilities and cash flows from operating activities, we have sufficient working capital for our present requirements and for the next 12 months from the date of the Prospectus.

Inventories

Our inventories primarily consist of fruits, as well as packaging materials and low-value consumables.

The following table sets forth a breakdown of our inventories balances as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Fruits	68,408	92,561	223,757	316,117
Packaging materials and low-value consumables	4,083	7,041	4,569	13,544
	72,491	99,602	228,326	329,661
Less: Write-down of inventories	(205)	(315)	(3,724)	(4,564)
	72,286	99,287	224,602	325,097

The continuous increase in our inventories during the Track Record Period was primarily due to our increasing procurement of fruits as our sales and business continued to grow thanks to our capacity in branding development and growth of our strong supply chain management capacity.

Due to the perishability and short shelf life of fresh fruits, we generally sold fruits within one month.

The following table sets forth inventories turnover days for the years indicated:

	Year ended December 31,			Five months
	2019	2020	2021	ended
	2019	2020	2021	May 31,
	2019	2020	2021	2022
Inventories turnover days ⁽¹⁾	9.5	6.5	6.8	9.0

FINANCIAL INFORMATION

Note:

- (1) Inventories turnover days are based on the average balance of inventories divided by cost of sales used for the relevant year or period and multiplied by the number of days in the relevant year or period. Average balance is calculated as the average of the beginning balance and ending balance of a given year or period. The number of days for the years ended December 31 is 365 days. The number of days for the five months ended May 31 is 151 days.

In 2019, 2020 and 2021 and the five months ended May 31, 2022, our inventories turnover days remained relatively stable at 9.5 days, 6.5 days, 6.8 days and 9.0 days, respectively. The increase of the inventory turnover days as of May 31, 2022 is mainly due to the fact that May is usually the peak season for the sales of our core fruit products such as durian, and we increased inventories accordingly. Fresh fruits are highly perishable and most fruits must be brought to market and sold very shortly after harvest. Therefore, we continued enhancing efficiency of our inventory management and distribution.

As of the Latest Practicable Date, RMB325.1 million, or 100.0% of our inventories balance as of May 31, 2022 had been sold or utilized.

Trade and Other Receivables

Our trade receivables primarily consist of receivables due from third parties in connection with their purchases of our fruit products. The major customers of our sales include terminal wholesalers, supermarket customers and emerging retailers.

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— third parties	729,417	2,024,455	3,750,055	5,971,980
— related parties	—	16,375	12,732	57,015
Less: losses allowance	(21,289)	(30,403)	(55,509)	(121,222)
Trade receivables, net	708,128	2,010,427	3,707,278	5,907,773
Other receivables				
— third parties	10,676	21,319	25,216	34,643
— related parties	—	74	1,445	1,320
Less: losses allowance	(2,225)	(5,157)	(4,396)	(4,346)
Other receivables, net	8,451	16,236	22,265	31,617
Value Added Tax (“VAT”) recoverable	10,665	21,967	43,972	36,864
Taxation recoverable	365	620	—	—
Prepayments	656,333	879,853	1,360,207	1,030,715
	1,383,942	2,929,103	5,133,722	7,006,969

FINANCIAL INFORMATION

Trade receivables continued increasing during the Track Record Period primarily due to the increase in sales of our fruits, primarily as a result of our business expansion. The increase in our trade receivables from RMB2,010.4 million as of December 31, 2020 to RMB3,707.3 million as of December 31, 2021 was primarily attributed to the increase in our revenue which increased from RMB5,771.4 million in 2020 to RMB10,280.1 million in 2021. As of the Latest Practicable Date, RMB2,159.1 million, or 35.8% of our trade receivables as of May 31, 2022, had been subsequently collected.

Prepayments represent the amount we paid to suppliers in order to secure stable supply of quality fruits. During the Track Record Period, prepayments continued increasing, primarily due to our effort to strengthen relationship with our suppliers to secure stable supply of fruit products and increase purchases to support our business growth. Not all of the our suppliers require prepayments.

We purchase from suppliers which require prepayments as these suppliers grant us with priority in locking supplies and procuring high-quality fruit products when harvested. Also, it is a common industry practice to secure supplies of high-quality fruits in advance through prepayment model, according to CIC. We have strict criteria in selecting our fruits suppliers, including their legal qualifications, good business reputation, and credible performance under past contracts. In addition, we would conduct site visits in suppliers' companies and orchards to inspect their fruits quality. In regards of different types of suppliers, we have the following considerations about whether to adopt the prepayment model:

- Orchard supplier is the main type of supplier we use the prepayment model. By adopting such model, we are able to secure sufficient supply of quality fruits as well as enhance long-term cooperation with orchards. However, not all of our orchard suppliers will use the prepayment model. We may decide whether to adopt prepayment model taking into account the yield of fruits, the level of competition, our fruit category selection strategy and our financial situation.
- We select high-quality import suppliers to adopt the prepayment model. By making advance payment and determining the purchase amount and purchase price in advance, they will consider our demand when purchasing fruit overseas, thus ensuring a stable supply amount and supply price to us.
- Import agents will follow our instructions to purchase fruits overseas after receiving our advance payment.
- For city suppliers, we are less likely to adopt prepayment model.

FINANCIAL INFORMATION

The salient terms of the prepayments mainly include (i) both parties agree that the buyer shall make the payment before the seller ships products; (ii) the proportion of prepayments required is generally 30% or 50% and such prepayments shall be paid within five days after signing the contract; and (iii) the credit period for the remaining contract price shall be 30 to 180 days.

The tables below set out (i) the amounts of our purchases from each of the major suppliers which require prepayments; (ii) the relevant balances with each of such suppliers; and (iii) the percentage of prepayments required under relevant contracts for the respective periods and dates.

Year ended December 31, 2019, 2020 and 2021 and five months ended May 31, 2022 /As of December 31, 2019

	Amounts of purchases					Balance of prepayments	Percentage of prepayments
	Year ended December 31,			Five months ended May 31,		As of December 31,	
	2019	2020	2021	2021	2022	2019	
	RMB in million						%
	<i>(unaudited)</i>						
Supplier A	57.1	168.3	230.8	104.6	161.3	145.5	50
Supplier B	286.6	162.9	48.2	33.5	9.3	140.9	30
Supplier C	1.9	76.7	2.5	2.5	—	72.5	50
Supplier D	59.7	168.9	77.8	58.7	40.0	67.0	30-50
Supplier E	184.6	94.9	226.6	120.7	170.9	42.1	30

Year ended December 31, 2019, 2020 and 2021 and five months ended May 31, 2022/As of December 31, 2020

	Amounts of purchases					Balance of prepayments	Percentage of prepayments
	Year ended December 31,			Five months ended May 31,		As of December 31,	
	2019	2020	2021	2021	2022	2020	
	RMB in million						%
	<i>(unaudited)</i>						
Supplier A	57.1	168.3	230.8	104.6	161.3	119.9	30-50
Supplier H	—	44.1	125.7	80.0	20.2	72.3	30
Supplier E	184.6	94.9	226.6	120.7	170.9	40.4	30
Supplier F	11.0	31.7	120.0	64.3	68.6	39.3	30
Supplier G	—	—	73.8	60.0	11.9	26.1	30

FINANCIAL INFORMATION

Year ended December 31, 2019, 2020 and 2021 and five months ended May 31, 2022/As of December 31, 2021

	Amounts of purchases					Balance of prepayments	Percentage of prepayments
	Year ended December 31,			Five months ended May 31,		As of December 31,	
	2019	2020	2021	2021	2022	2021	
RMB in million							%
<i>(unaudited)</i>							
Supplier A	57.1	168.3	230.8	104.6	161.3	45.7	30-50
Supplier K	—	109.2	109.3	36.7	28.5	42.7	30
Supplier F	11.0	31.7	120.0	64.3	68.6	23.1	30
Supplier I	3.2	52.1	64.7	19.6	22.8	22.7	30
Supplier J	—	—	—	—	20.8	19.9	30

Year ended December 31, 2019, 2020 and 2021 and five months ended May 31, 2022/As of May 31, 2021

	Amounts of purchases					Balance of prepayments	Percentage of prepayments
	Year ended December 31,			Five months ended May 31,		As of May 31,	
	2019	2020	2021	2021	2022	2022	
RMB in million							%
<i>(unaudited)</i>							
Supplier A	57.1	168.3	230.8	104.6	161.3	23.9	30
Supplier L	—	—	43.7	12.2	—	29.0	30
Supplier M	—	6.0	35.5	11.0	45.7	23.9	30
Supplier N	—	—	11.6	—	—	24.0	30
Supplier O	—	—	6.4	—	—	30.0	30

The overall aging of the our prepayments are generally within one year. As confirmed by CIC, overall aging of the prepayments is in line with the industry practice.

FINANCIAL INFORMATION

The table below shows the detailed aging profile of our prepayment by months during the Track Record Period:

	Year ended December 31,						Five months ended May 31,	
	2019		2020		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Within three months (inclusive)	338,104.4	51.5	690,353.1	78.5	1,023,338.9	75.2	724,557.7	70.3
Three to six months (inclusive)	142,746.6	21.8	59,960.1	6.8	282,292.6	20.8	137,048.1	13.3
Six to 12 months (inclusive)	161,861.2	24.7	122,210.4	13.9	47,036.5	3.5	154,689.1	15.0
Over one year	13,621.2	2.0	7,267.3	0.8	7,436.7	0.5	14,381.7	1.4
Total	656,333.4	100.0	879,790.9	100.0	1,360,104.7	100.0	1,030,676.6	100.0

The following table sets forth our trade receivables turnover days for the years indicated:

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
	Trade receivables turnover days ⁽¹⁾	106.9	87.6	103.0

Note:

- (1) Trade receivables turnover days are based on the average balance of trade receivables divided by total revenues for the relevant year or period and multiplied by the number of days in the relevant year or period. Average balance is calculated as the average of the beginning balance and ending balance of a given year or period. The number of days for the years ended December 31 is 365 days. The number of days for the five months ended May 31 was 151 days.

Although our trade and other receivables continued to increase from 2019 to 2020, our trade receivables turnover days decreased from 106.9 days in 2019 to 87.6 days in 2020 because we quickly collected receivables. Our trade receivables turnover days increased to 103.0 days in 2021 and further increased to 129.1 days as of May 31, 2022. The increase in trade receivables turnover days was mainly because some of our customers experienced operational difficulties and had to slightly delay their payments under the impact of COVID-19 in China. We conduct review of the aging analysis on a monthly basis to manage credit risks.

FINANCIAL INFORMATION

The following table sets forth an aging analysis of our trade receivables as of the dates indicated, based on the invoice date and net of losses allowance:

	As of December 31,			As of
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months (inclusive)	638,001	1,798,995	3,434,745	4,709,251
6 to 12 months (inclusive)	84,072	235,005	305,993	1,268,333
Over 1 year	7,344	6,830	22,049	51,411
Less: losses allowance	21,289	30,403	55,509	121,222
Total	708,128	2,010,427	3,707,278	5,907,773

The increase in trade receivables aged over one year from RMB6.8 million as of December 31, 2020 to RMB22.0 million as of December 31, 2021 was primarily due to the fact that certain supermarket customers and traditional e-commerce customers encountered difficulties in their operating capital turnover and failed to make prompt payments under the impact of COVID-19 outbreak and the rising of community group buying. As of the Latest Practicable Date, we have already successfully collected RMB8.7 million of trade receivables over one year as of May 31, 2022 through our continuous collection efforts.

The tables below set forth the subsequent settlement of trade receivables by age group up to the Latest Practicable Date:

	Balance as of May 31, 2022	Payments as of the Latest Practicable Date	Remittance rate
	(RMB in million)	(RMB in million)	%
Within six months (inclusive)	5,153.9	1,674.7	32.5
Six to 12 months (inclusive)	828.2	475.7	57.4
Over one year	46.9	8.7	18.5
Total	6,029.0	2,159.1	35.8

	Balance as of December 31, 2021	Payments as of the Latest Practicable Date	Remittance rate ⁽¹⁾
	(RMB in million)	(RMB in million)	(%)
Within six months (inclusive)	3,434.8	2,886.1	84.0
Six to 12 months (inclusive)	306.0	253.6	82.9
Over one year	22.0	3.0	13.6
Total	3,762.8	3,142.7	83.5

FINANCIAL INFORMATION

	Balance as of September 30, 2021	Payments as of the Latest Practicable Date	Remittance rate
	(RMB in million)	(RMB in million)	(%)
Within six months (inclusive)	3,233.2	3,101.1	95.9
Six to 12 months (inclusive)	246.6	230.3	93.4
Over one year	20.7	10.7	51.7
Total	3,500.5	3,342.1	95.5

	Balance as of June 30, 2021	Payments as of the Latest Practicable Date	Remittance rate
	(RMB in million)	(RMB in million)	(%)
Within six months (inclusive)	3,195.8	3,149.7	98.6
Six to 12 months (inclusive)	166.3	156.4	94.0
Over one year	21.5	12.2	56.7
Total	3,383.6	3,318.3	98.1

Note:

- (1) Remittance rate is calculated by payments as of the Latest Practicable Date divided by balance as of the end of the relevant months.

We set credit terms based on customers' size and credit ratings, and generally grant credit terms no more than 180 days to customers satisfying relevant requirements.

Our loss allowance for trade receivables amounted to RMB21.3 million, RMB30.4 million, RMB55.5 million and RMB121.2 million as of December 31, 2019, 2020 and 2021 and May 31, 2022. The continuous increase in loss allowance was mainly caused by the increase in trade receivables in line with our business expansion. We determine expected credit losses for trade receivables based on historical observed default rates, taking into account aging of trade receivables and creditworthiness of relevant customers. For more details, please also see Note 26(a) to the Accountants' Report set out in Appendix I to this Prospectus.

As of the Latest Practicable Date, RMB646.0 million, or 62.7% of our prepaid goods as of May 31, 2022 had been subsequently received.

As of the Latest Practicable Date, RMB2,159.1 million, or 35.8% of our trade receivables as of May 31, 2022 had been subsequently collected.

Our exposure to credit risk related to trade receivables is mainly influenced by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2019, 2020 and 2021 and May 31, 2022, 26.2%, 18.0%, 6.7% and 5.5% of the

FINANCIAL INFORMATION

total trade receivables was due from our five largest customers, respectively. To properly manage and effectively mitigate risks associated with collection of trade receivables, our management periodically review the repayment schedules of our customers, the aging analysis on a monthly basis as well as the credit worthiness of relevant customers. In particular, we perform individual credit evaluations on all customers requiring credit over a certain amount, focusing on the customer’s past history of making payments when due and current ability to pay, and taking into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. In regards to our five largest customers, we believe that they have the ability of making prompt payments after prudent investigation. During the Track Record Period, we adopted cautious approach in determining provisions, where we made full provisions for trade receivables more than six months past due and made provision ranging from 3% to 9% for trade receivables one to six months past due in a way to reflect our observation of evolving conditions of relevant customers. We are of the view that, based on overall quality and credit strength of our customers, our sound track record in collecting trade receivables as proved by our financial results, we have made sufficient provision in a prudent way for our trade receivables. In addition, we will assign designated personnel to follow up and chase the outstanding payments in the event of any trade receivables past due over three months.

Financial Assets Measured at FVPL

During the Track Record Period, we had certain financial assets categorized within Level 3 of fair value measurement (“**Level 3 Financial Assets**”), which amounted to RMB260.6 million, RMB162.7 million, RMB10.0 million and nil, respectively, as of December 31, 2019, 2020 and 2021 and May 31, 2022. For details on the Level 3 Financial Assets including their quantitative sensitivity analysis, please see Note 26(e) to the Accountants’ Report in Appendix I.

The following table sets forth a breakdown of our financial assets measured at FVPL as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000
Current assets				
Financial assets measured at FVPL				
— Investment in wealth management products	260,551	162,729	10,000	—

The current balances of financial assets measured at FVPL mainly represent wealth management products that we purchased in line with our cash management policy. During the Track Record Period, for the purpose of better cash management, we from time to time purchased short-term low-risk wealth management products from reputable commercial banks

FINANCIAL INFORMATION

in China, which are mainly low-risk wealth management products and structured deposits, taking into accounts of security, liquidity, flexibility and promptness of payments. During the Track Record Period, we did not have any disputes in regards of our wealth management products. We have established a sound internal procedure for valuating such financial assets in compliance with the applicable laws, regulations and accounting policies. The relevant valuation work is carried out monthly in principle. In addition to the monthly valuation, we will hire independent accountants to perform audits regularly on the internal control procedures, valuation model, parameters and information disclosure of the valuation of fair value. The Group's investment in wealth management products will be subject to Chapter 14 of the Rules after the Listing. We have implemented capital and investment policies to monitor and control the risks in connection with such investments. Our investment management policies are set out below:

1. Establish capital plan with reasonable allocation of low-risk wealth management products and structured deposits as well as other financial products;
2. Standardize the approval process of purchasing financial products by taking into accounts of purchase amount, interest rate and other comprehensive factors;
3. Regularly track the performance of our wealth management products and comprehensively assess new wealth management product recommendations;
4. Prudently compare between multiple banks and multiple products to reduce the risks arising from the fluctuation of loss and gain of financial products.

In relation to the valuation of the Group's Level 3 Financial Assets, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of Level 3 Financial Assets; (ii) carefully considered all information especially unobservable input, such as interest return rate which require management assessments and estimates; and (iii) made investment decisions on a case-by-case basis after due and careful consideration of a number of risk factors and the final decisions shall be approved by our deputy general manager. Based on the above procedures, our Directors are of the view that the valuation of our Level 3 Financial Assets is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of the Group's Level 3 Financial Assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in note 26(e) to the Historical Financial Information of Group for the Track Record Period as set out in the accountants report issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The reporting accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on I-2 of Appendix I.

FINANCIAL INFORMATION

In relation to due diligence work on the valuation of the Group’s Level 3 Financial Assets, the Sole Sponsor, including but not limited to: (i) reviewed the relevant notes included in the Accountants’ Report to acquire general understanding of valuation techniques adopted for such financial assets and corresponding significant unobservable inputs; (ii) obtained and reviewed the Company’s internal policies of the internal control measures performed in relation to the valuation of such financial assets, and to assess the internal control process undertaken by the Company for valuating such financial assets and to assess the primary factors taken into account by the Company in valuating wealth management products; (iii) reviewed a sample of the record regarding the application and approval on the valuations of such financial assets; and (iv) discussed with the Reporting Accountants in respect of the procedures performed by the Reporting Accountants in assessing the fair value measurement of financial assets at fair value through profit or loss in accordance with IFRS for the purpose of the Accountant’s Report. Based on the above due diligence work performed by the Sole Sponsor, nothing has come to the attention of the Sole Sponsor to disagree with the Company and the Reporting Accountants in respect of the valuation of the Group’s Level 3 Financial Assets.

For details, please also see “Risk Factors — Risks Relating to Our Business and Industry — We are exposed to risks in relation to investment in wealth management products.”

Our financial assets measured at FVPL decreased from RMB260.6 million as of December 31, 2019 to RMB162.7 million as of December 31, 2020 and further decreased to RMB10.0 million as of December 31, 2021 as we redeemed several wealth management products.

Trade and Other Payables

We record trade and other payables in connection with various aspects of our operations, primarily consisting of trade payables, VAT and other tax payables, as well as accrued payroll and benefits.

The following table sets forth our trade payables as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	May 31,
	RMB’000	RMB’000	RMB’000	2022
	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	57,629	110,181	260,761	519,740
Accrued payroll and benefits	12,192	23,782	41,523	28,913
VAT and other tax payables	8,343	12,406	8,959	37,089
Other payables ⁽¹⁾	9,706	5,269	14,168	22,833
	87,870	151,638	325,411	608,575

FINANCIAL INFORMATION

Note:

- (1) Other payables mainly represent amounts due to third party professional firms providing investment consulting services, legal services and accounting services.

All of the trade and other payables are expected to be settled or recognized as income within one year or are repayable on demand.

Trade payables increased from RMB57.6 million as of December 31, 2019 to RMB110.2 million as of December 31, 2020, to RMB260.8 million as of December 31, 2021 and further increased to RMB519.7 million as of May 31, 2022, primarily due to increased procurement driven by strong growth in market demands for our fruit products, as a result of our successful expansion of business and implementation of branding strategy. The increase in trade payables as of May 31, 2022 was also attributed to our expanded adoption of the policy of making payments after receiving fruit products as a result of our enhanced bargaining power with suppliers.

Accrued payroll and benefits represents accrued salaries and bonus for our employees based on their performances. The continuous increase in accrued payroll and benefits from 2019 to 2021 was mainly caused by increase in the number of our employees in line with our business expansion. Our accrued payroll and benefits decreased to RMB28.9 million as of May 31, 2022, primarily because the provision made for bonus at the end of 2021 was settled around Spring Festival in 2022.

The following table sets forth our trade payables turnover days for the years or period indicated:

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Trade payables turnover days ⁽¹⁾	14.1	6.4	7.8	12.8

Note:

- (1) Trade payables turnover days are based on the average balance of trade payables divided by cost of sales for the relevant year or period and multiplied by the number of days in the relevant year or period. Average balance is calculated as the average of the beginning balance and ending balance of a given year or period. The number of days for the years ended December 31 is 365 days. The number of days for the five months ended May 31 is 151 days.

Trade payables turnover days decreased from 14.1 days in 2019 to 6.4 days in 2020. The decrease of our trade payable turnover days primarily reflected the factors that our prepayment to suppliers for securing procurement of quality fruits continued increasing in line with our business expansion, the amount of which were used to settle the total purchasing price, resulting in decrease in trade payables for respective batches of fruit products. During the Track Record Period, the credit period our suppliers granted to us generally ranged from 15 to

FINANCIAL INFORMATION

60 days. Trade payables turnover days remained relatively stable in 2020 and 2021. Our trade payables turnover days increased to 12.8 days as of May 31, 2022. During Track Record Period, we took efforts in speeding up settlement with our fruit suppliers in order to enhance our relationship with suppliers of quality fruit products.

The following table sets forth an aging analysis of our trade payables as of the dates indicated based on the invoice date:

	As of December 31,			As of
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
Within 1 year	54,671	108,367	251,899	508,239
1 to 2 years	2,958	357	7,109	9,738
Over 2 years	—	1,457	1,753	1,763
	<u>57,629</u>	<u>110,181</u>	<u>260,761</u>	<u>519,740</u>

As of the Latest Practicable Date, RMB435.6 million, or 83.8% of our trade payables as of May 31, 2022, had been settled.

Taxation Payable

Our taxation payable amounted to RMB49.0 million, RMB69.6 million, RMB92.1 million and RMB161.5 million as of December 31, 2019, 2020 and 2021 and May 31, 2022. The continuous increase was generally in line with our business growth.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

We have financed our operations primarily through capital contributions by investors and borrowings from banks and other financial institutions. As of December 31, 2019, 2020, and 2021 and May 31, 2022, we had cash and cash equivalents of RMB175.9 million, RMB376.2 million, RMB239.5 million and RMB69.0 million, respectively. Our cash and cash equivalents primarily consist of bank deposits.

FINANCIAL INFORMATION

Cash Flow Analysis

The following table sets forth our cash flows for the years or period indicated:

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Operating cash flows before movements in working capital	292,561	816,428	1,386,193	1,040,031
Changes in working capital:				
Increase in inventories	(56,664)	(27,001)	(125,315)	(100,495)
Increase in trade and other receivables	(643,797)	(1,552,894)	(2,230,721)	(1,930,667)
(Decrease)/increase in trade and other payables	(11,383)	63,768	173,773	283,164
Corporate Income Tax paid	(30,486)	(104,668)	(185,551)	(93,871)
Net cash used in operating activities	(449,769)	(804,367)	(981,621)	(801,838)
Net cash (used in)/generated from investing activities	(157,275)	73,379	128,932	5,061
Net cash generated from financing activities	611,422	932,852	720,885	625,256
Net increase/(decrease) in cash and cash equivalent	4,378	201,864	(131,804)	(171,521)
Cash and cash equivalent at January 1	168,898	175,944	376,153	239,534
Cash and cash equivalent at December 31/May 31	175,944	376,153	239,534	68,977
Impact of exchange rate changes on cash and cash equivalents	2,668	(1,655)	(4,815)	964

Operating Activities

Our cash used in operating activities primarily consists of profit before taxation adjusted for non-cash items and all other items for which the cash effects are non-operating (such as depreciation of property, plant and equipment, amortization of intangible assets, impairment losses on trade receivables and other receivables and changes in the carrying amount of financial instruments issued to investors), and the effects of changes in working capital, such as increase or decrease in inventories, trade and other receivables, as well as trade and other payables.

Our cash outflow from operating activities during the Track Record Period was primarily attributed to the significant increase in our trade and other receivables, primarily because we took the initiative to prepay for high-quality fruit products so as to increase brand power and expand market share, leading to the excellent performance of our operating proven by the increase in our revenue and gross profit. Furthermore, the increase rate of our revenue exceeded that of our cash outflow from operating activities as we benefited from the expansion of our business. As our revenue and gross profit continue to increase, we expect to achieve a positive cash outflow from operating activities in the foreseeable future.

FINANCIAL INFORMATION

Net cash used in operating activities in the five months ended May 31, 2022 was RMB801.8 million. This net cash outflow was primarily a result of profit before taxation in the amount of RMB896.0 million, as adjusted for non-cash and non-operating items, changes in working capital and corporate income tax paid. Adjustment for non-cash and non-operating items primarily included (i) impairment losses on trade receivables and other receivables of RMB65.9 million and (ii) net exchange losses of RMB37.0 million. Changes in working capital primarily consisted of (i) increase in trade and other receivables of RMB1,930.7 million, which was in line with our business growth and (ii) increase in trade and other payables of RMB283.2 million driven by our expanded business scale. Our corporate income taxes paid in the five months ended May 31, 2022 was RMB93.9 million.

Net cash used in operating activities in 2021 was RMB981.6 million. This net cash outflow was primarily a result of profit before taxation in the amount of RMB499.5 million, as adjusted for non-cash and non-operating items, changes in working capital and corporate income tax paid. Adjustment for non-cash and non-operating items primarily included (i) changes in the carrying amount of financial instruments issued to investors of RMB797.2 million, mainly as a result of changes in the carrying amount of liabilities for preferential rights issued to investors; (ii) impairment losses on trade and other receivables of RMB24.8 million caused by the increase in our trade and other receivables in line with expansion of our business and sales and (iii) finance costs of RMB29.1 million in line with our business expansion. Changes in working capital primarily consisted of (i) increase in inventories of RMB125.3 million due to the increase stock of both fruits and packaging and low-value consumables in support of our business network expansion; (ii) increase in trade and other receivables of RMB2,233.3 million, which was in line with our business growth and (iii) increase in trade and other payables of RMB173.8 million driven by our expanded business scale. Our corporate income taxes paid in 2021 was RMB185.6 million.

Net cash used in operating activities in 2020 was RMB804.4 million. This net cash outflow was primarily a result of profit before taxation in the amount of RMB125.2 million, as adjusted for non-cash and non-operating items, changes in working capital and corporate income tax paid. Adjustment for non-cash and non-operating items primarily included (i) changes in the carrying amount of financial instruments issued to investors of RMB659.6 million, mainly as a result of changes in the carrying amount of liabilities for preferential rights issued to investors; (ii) impairment losses on trade receivables and other receivables of RMB12.1 million caused by the increase in our trade and other receivables in line with expansion of our business and sales and (iii) depreciation of right-of-use assets of RMB9.1 million. Changes in working capital primarily consisted of (i) increase in trade and other receivables of RMB1,549.1 million, which was in line with our business growth; (ii) increase in trade and other payables of RMB63.8 million driven by our expanded business scale and (iii) increase in inventories of RMB27.0 million due to the increased stock of both fruits and packaging and low-value consumables in support of our business network expansion. Our corporate income taxes paid in 2020 was RMB104.7 million.

FINANCIAL INFORMATION

Net cash used in operating activities in 2019 was RMB449.8 million. This net cash outflow was primarily a result of profit before taxation in the amount of RMB212.0 million, as adjusted for non-cash and non-operating items, changes in working capital and corporate income tax paid. Adjustment for non-cash and non-operating items primarily included (i) changes in the carrying amount of financial instruments issued to investors of RMB65.2 million, mainly as a result of changes in the carrying amount of liabilities for preferential rights issued to investors; (ii) impairment losses on trade receivables and other receivables of RMB6.4 million caused by the increase in our trade and other receivables in line with expansion of our business and sales and (iii) depreciation of property, plant and equipment of RMB4.5 million. Changes in working capital primarily consisted of (i) increase in trade and other receivables of RMB643.2 million, which was in line with our business growth; (ii) decrease in trade and other payables of RMB11.4 million driven by our expanded business scale and (iii) increase in inventories of RMB56.7 million due to the increased stock of both fruits and packaging and low-value consumables in support of our business network expansion. Our corporate income taxes paid in 2019 was RMB30.5 million.

Investing Activities

Our cash inflow from investing activities primarily consists of cash receipts from redemption of financial assets measured at fair value through profit or loss and repayment of loans to related parties. Our cash outflow from investing activities primarily consists of payment for the purchase of property, plant and equipment, payment for investment in financial assets measured at fair value through profit or loss and loans to related parties.

Net cash generated from investing activities in the five months ended May 31, 2022 was RMB5.1 million, which primarily consisted of cash receipts from redemption of financial assets measured at fair value through profit or loss of RMB30.1 million in connection with redemption of wealth management products, and was partially offset by the payment for investment in financial assets measured at fair value through profit or loss of RMB20.0 million in connection with our investment in wealth management products.

Net cash generated from investing activities in 2021 was RMB128.9 million, which primarily consisted of cash receipts from redemption of financial assets measured at fair value through profit or loss of RMB1,507.2 million in connection with redemption of wealth management products, and was partially offset by (i) payment for investment in financial assets measured at fair value through profit or loss of RMB1,353.0 million in connection with our investment in wealth management products and (ii) payment for the purchase of property, plant and equipment of RMB25.2 million in line with our business network expansion.

Net cash generated from investing activities in 2020 was RMB73.4 million, which primarily consisted of cash receipts from redemption of financial assets measured at fair value through profit or loss of RMB3,967.2 million in connection with redemption of wealth management products, and was partially offset by (i) payment for investment in financial assets

FINANCIAL INFORMATION

measured at fair value through profit or loss of RMB3,865.5 million in connection with our investment in wealth management products and (ii) payment for the purchase of property, plant and equipment of RMB28.4 million in line with our business network expansion.

Net cash used in investing activities in 2019 was RMB157.3 million, which primarily consisted of (i) payment for investment in financial assets measured at fair value through profit or loss of RMB1,512.3 million in connection with our investment in wealth management products and (ii) payment for the purchase of property, plant and equipment of RMB30.5 million in line with our business network expansion, and was partially offset by cash receipts from redemption of financial assets measured at fair value through profit or loss of RMB1,383.4 million in connection with redemption of wealth management products.

Financing Activities

Our cash inflow from financing activities primarily consists of proceeds from financial instruments issued to investors and proceeds from bank loans and other borrowings. Our cash outflow from financing activities primarily consists of cash used for repayments of bank loans and other borrowings.

Net cash generated from financing activities in the five months ended May 31, 2022 was RMB625.3 million, which primarily consisted of proceeds from bank loans and other borrowings of RMB1,289.2 million, and was partially offset by repayments of bank loans and other borrowings of RMB633.2 million.

Net cash generated from financing activities in 2021 was RMB720.9 million, which primarily consisted of proceeds from bank loans and other borrowings of RMB1,500.9 million, and was partially offset by (i) repayments of bank loans and other borrowings of RMB726.8 million and (ii) interest paid of RMB25.9 million.

Net cash generated from financing activities in 2020 was RMB932.9 million, which primarily consisted of (i) proceeds from financial instruments issued to investors of RMB841.3 million and (ii) proceeds from bank loans and other borrowings of RMB268.2 million, and was partially offset by repayments of bank loans and other borrowings of RMB161.9 million.

Net cash generated from financing activities in 2019 was RMB611.4 million, which primarily consisted of (i) proceeds from financial instruments issued to investors of RMB634.6 million and (ii) proceeds from bank loans and other borrowings of RMB78.6 million, and was partially offset by repayments of bank loans and other borrowings of RMB90.7 million.

FINANCIAL INFORMATION

INDEBTEDNESS

Bank Loans and other Borrowings

The following table sets forth our bank loans and other borrowings as of the dates indicated:

	As of December 31,			As of May 31,	As of June 30,
	2019	2020	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(unaudited)</i>
Current					
Bank loans					
— Guaranteed bank loans	—	40,045	532,473	342,359	213,095
— Secured and guaranteed bank loans	1,000	1,957	147,142	86,689	87,563
— Unsecured bank loans	—	—	195,035	1,147,170	1,559,557
Other borrowings					
— Secured and guaranteed borrowings	—	25,000	—	—	—
	1,000	67,002	874,650	1,576,218	1,860,215
Non-current					
Bank loans					
— Guaranteed bank loans	—	40,074	—	—	—

Our bank loans and other borrowings increased from RMB1.0 million as of December 31, 2019 to RMB107.1 million as of December 31, 2020 and to RMB874.7 million as of December 31, 2021, and further increased to RMB1,576.2 million as of May 31, 2022 and to RMB1,860.2 million as of June 30, 2022, primarily because we increased bank loans to fund fruit products procurement and expansion of logistic and supply chain facilities in line with our business expansion. We mainly utilized our bank loans to procure fruit products to expand our business. We have effectively penetrated into the places of origin for multiple fruit categories and undertaken direct procurement in relevant regions. Our cost of fruits, mainly the payments we made to fruit suppliers for procuring relevant fruit products increased from RMB4,298.6 million in 2020 to RMB7,761.3 million in 2021. In addition to the procurement of fruit products, we have also utilized part of our bank loans to build a digitalized end-to-end supply chain in the fresh fruit industry. We source the majority of our branded fruit products directly from their origins, process and grade them at local fruit processing plants, and further distribute them to customers across China. With the proceeds of bank loans and other borrowings, we established one new sales branch in 2021 and the number of our sorting centers increased from 13 in 2020 to 60 in 2021. As of December 31, 2021, we had 19 sales branches and 60 sorting centers across China supporting sales to 300 cities. In addition, we established our advanced

FINANCIAL INFORMATION

digital supply chain management system, HJ Star Bridge (洪九星橋) system, enabling us to seamlessly integrate our logistics service providers into our management, realizing efficient logistics arrangements and supervision visually on a real-time basis.

Our other borrowings mainly represent commercial factoring arrangement in respect of trade receivables. In PRC, it is common practice for enterprises to obtain borrowings from various channels in addition to banks and financial institutions. Enterprises may choose commercial factoring based on the following benefits: (i) it usually has a relatively low interest rate; (ii) the speed of obtaining approval might be faster; and (iii) it improves liquidity by increasing the sufficiency of cash flows.

One lender of our other borrowings was Chailease International Finance Corp. (“**Chailease International**”), a wholly foreign-owned financial leasing company founded in 2005 with its headquarter in Shanghai. Chailease International mainly engaged in financial leasing business, leasing transaction consulting and guarantee. Chailease International is controlled by China Leasing Co., Ltd. which founded in 1977 in Taiwan and provides asset-based diversified financing services. The other lender of our other borrowings was Shenzhen Ronghui Commercial Factoring Co., Ltd. (“**Shenzhen Ronghui**”), a domestic commercial factoring company founded in 2016 in Shenzhen. Shenzhen Ronghui mainly engaged in commercial factoring, insurance agency and enterprise management consulting. Shenzhen Ronghui is controlled by Beijing Zhongguancun Ronghui Financial Information Service Co., Ltd.

Chailease International is an independent third party. Shenzhen Ronghui was indirectly invested by Sunshine Life Insurance Co., Ltd., a minority shareholder of the Company. Since the indirect shareholding ratio is low, Shenzhen Ronghui operates independently and is not able to exert influence on our business.

We had the need for funds to support our business expansion at that time and Chailease International and Shenzhen Ronghui granted such borrowing to us after conducting due diligence of our credit. We did not encounter any difficulties in obtaining loans from financial institutions during the Track Record Period.

During the Track Record Period, in line with common market practice, we established multi-channels of financing, such as commercial factoring and international trade financing, taking into account the cost of obtaining capital, the process and speed of obtaining approval for borrowings. Therefore, we may from time to time obtain borrowings from various types of lenders instead of solely relying on banks to secure sufficient capital inflow and to improve our liquidity and to further support our business development.

FINANCIAL INFORMATION

The following table sets forth a breakdown of the weighted average effective interest rates of our total borrowings as of the dates indicated:

	As of December 31,			As of May 31,	As of June 30,
	2019	2020	2021	2022	2022
	%	%	%	%	%
					<i>(unaudited)</i>
Bank loans	7.0	4.4	3.7	3.4	3.0
Other borrowings	—	9.5	—	—	—
Total	7.0	5.6	3.7	3.4	3.0

As of December 31, 2019, 2020 and 2021 and May 31 and June 30, 2022 respectively, we had bank loans and other borrowings of RMB1.0 million, RMB107.1 million, RMB874.7 million, RMB1,576.2 million and RMB1,860.2 million, respectively, of which RMB1.0 million, RMB107.1 million, RMB679.6 million, RMB342.4 million and RMB195.9 million were guaranteed by related parties. All guarantees by related parties will be released before Listing.

Bank loans and other borrowings as of the dates indicated were repayable as follows:

	As of December 31,			As of May 31,	As of June 30,
	2019	2020	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(unaudited)</i>
Bank loans					
— Within 1 year or on demand	1,000	42,002	874,650	1,576,218	1,860,215
— After 1 year but within 2 years	—	40,074	—	—	—
Other borrowings					
— Within 1 year or on demand	—	25,000	—	—	—
	1,000	107,076	874,650	1,576,218	1,860,215

Our loan and borrowing agreements contained standard terms and conditions that are customary for commercial bank loans in the PRC. Our Directors confirm that we had neither material defaults in payment of trade and non-trade payables and loans and borrowings, nor any breach of financial covenants during the Track Record Period.

As of June 30, 2022, being the latest practicable date for the purpose of this indebtedness statement, we have bank loans and other borrowings amounted to RMB1,860.2 million, with unused bank facilities of RMB177.3 million. We experienced no material change in our indebtedness position from May 31, 2022 up to the Latest Practicable Date.

FINANCIAL INFORMATION

Lease Liabilities

We have adopted the IFRS 16 *Leases*, pursuant to which, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The following table shows the remaining contractual maturities of our lease liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2019	2020	2021	May 31,	June 30,
	RMB'000	RMB'000	RMB'000	2022	2022
					<i>(unaudited)</i>
Within 1 year	4,098	6,539	19,252	19,336	20,597
After 1 year but within 2 years	3,038	3,885	13,776	14,895	12,150
After 2 years but within 5 years	596	1,362	13,507	18,846	18,747
After 5 years	205	67	7,351	4,820	4,838
	7,937	11,853	53,886	57,897	56,332

As of May 31, 2022, we had 156 leased properties with an aggregate GFA of approximately 154,448 square meters from third parties, mainly used as sorting centers and offices. As of December 31, 2019, 2020 and 2021 and May 31, 2022, our lease liabilities amounted to RMB7.9 million, RMB11.9 million, RMB53.9 million and RMB57.9 million, respectively. The continuous increases were mainly related to the increase in our leasing facilities every year. In 2019, we entered into 36 new leasing agreements and renewed 12 leasing agreements for our subsidiaries, branches and sorting centers. In 2020, we entered into 87 new leasing agreements and renewed 14 leasing agreements for our subsidiaries, branches and sorting centers. Our lease liabilities decreased slightly to RMB56.3 million as of June 30, 2022.

As of June 30, 2022, other than as disclosed above, we did not have any other borrowings, charges, mortgages, debentures or debt securities issued or outstanding, or authorized or otherwise created but unissued, or other similar indebtedness, hire purchase and finance lease commitments, liabilities under acceptance, acceptance credits, any guarantees or other material contingent liabilities.

Financial Instruments Issued to Investors

During the Track Record Period, we entered into several investment agreements with certain investors, pursuant to which we issued shares with preferential rights to these investors.

FINANCIAL INFORMATION

We recognized the shares issued to the investors in share capital and capital reserve. For the preferential rights issued to the investors together with the shares, although we are only obliged to pay to the investors upon occurrence the specified triggering events, as not all of such triggering events are within our control, we recognized the financial liabilities for its redemption obligations upon such events according to the redemption prices or the liquidation amounts.

The movements of financial instruments issued to investors during the Track Record Period are set out below:

	As of December 31,			As of May 31,	As of June 30,
	2019	2020	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(unaudited)</i>
At the beginning of the year	610,854	1,827,004	3,327,908	—	—
Recognition	1,150,978	841,304	—	—	—
Changes in the carrying amount	65,172	659,600	797,150	—	—
Reclassification of financial liabilities recognized for preferential rights issued to investors to equity	—	—	(4,125,058)	—	—
At the ending of the year	1,827,004	3,327,908	—	—	—

As of December 31, 2019, 2020 and 2021 and May 31 and June 30, 2022, financial instruments issued to investors of RMB1,827.0 million, RMB3,327.9 million, nil, nil and nil, respectively, were recognized for our obligation under the preferential rights granted to some investors, to buy back its own shares upon occurrence of some specified events such as change of control. These contingent payment obligations upon occurrence of specified events would be terminated upon an IPO automatically. In September 2021, the preferential rights were terminated by the investors so we reclassified all of the financial liabilities recognized for the preferential rights into equity.

For details on our Pre-IPO Investments, please also see “History, Development and Corporate Structure — Major Shareholding Changes of Our Group — Our Company — 3. Pre-IPO Investments and Shareholding Changes of Our Company” and Note 22 to the Accountants’ Report in Appendix I to this Prospectus.

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we had carried out transactions with our related parties as set forth in Note 27 to the Accountants’ Report in Appendix I to this Prospectus.

FINANCIAL INFORMATION

Our significant related party transactions during the Track Record Period primarily include transactions in connection with (i) sales of goods to certain entities owned by our shareholder, Alibaba China; (ii) purchase of goods from certain entities owned by our shareholders; (iii) loans to our Chairman, Mr. Deng and an entity owned by Ms. Jiang, which have been fully repaid as of December 31, 2019.

Our trade related amounts with related parties primarily represented trade receivables due from customers of our fruit products. As of December 31, 2019, 2020 and 2021 and May 31, 2022, balance of trade related amount due from related parties amounted to nil, RMB16.4 million, RMB12.7 million and RMB57.0 million, respectively. As of the same dates, balance of trade related amount due to related parties amounted to RMB4,000, RMB4,000, RMB4,000 and RMB4,000, respectively.

Our Directors are of the view that all of the related party transactions were conducted on an arm's length basis and on fair and reasonable terms.

On April 7, 2015, Mr. Deng entered into the Loan Agreement with Mr. He Chao, a former business partner. Pursuant to the Loan Agreement, each of Ms. Jiang and our Company agreed to provide a joint and several liability guarantee in favor of Mr. Deng to secure his repayment obligation. As of December 31, 2019, 2020 and 2021 and May 31, 2022, our Company and Ms. Jiang provided a joint and several liability guarantee to Mr. Deng amounted to RMB13.6 million, RMB14.8 million, RMB14.8 million and RMB14.8 million, respectively, being the maximum amount disputed by Mr. Deng with Mr. He Chao. We currently expect the Guarantee Arrangement to remain in force upon the Listing. Based on the advice of our litigation counsel, in the event any lawsuit will be brought by Mr. He Chao against Mr. Deng and/or the Company, the likelihood that our Company will eventually be subject to any performance obligation as the guarantor is relatively remote and such lawsuit will not have a material adverse effect on our business operation or financial condition. For details, please see "Relationship with Our Controlling Shareholders — Independence from the Controlling Shareholders Group — Financial Independence."

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. Moreover, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties or any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

FINANCIAL INFORMATION

SUBSEQUENT EVENT

No audited financial statements have been prepared by us in respect of any period subsequent to May 31, 2022.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
Gross profit margin ⁽¹⁾	18.9%	16.6%	15.7%	19.6%
Adjusted profit margin (non-IFRS measure) ⁽²⁾	11.0%	11.5%	10.6%	13.0%

Notes:

- (1) Gross profit margin equals gross profit divided by revenue for the periods and multiplied by 100%.
- (2) Adjusted profit margin (non-IFRS measure) equals adjusted profit (non-IFRS measure) divided by revenue for the periods and multiplied by 100%.

The following table sets out our key financial ratios as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
Current ratio ⁽¹⁾	13.3	12.1	4.3	3.1
Gearing ratio ⁽²⁾	(79.0)	(114.1)	0.1	0.3

Notes:

- (1) Current ratio equals current assets divided by current liabilities excluding the financial instruments issued to investors as of the same date and multiplied by 100% for the periods.
- (2) Gearing ratio equals total interest-bearing borrowings minus cash divided by total equity as of the end of the relevant periods and multiplied by 100%.

Gross Profit Margin

Our gross profit margin was 18.9%, 16.6%, 15.7% and 19.6% for the relevant years or period, respectively. For details, please see “— Description of Major Components of Our Results of Operations — Gross Profit and Gross Profit Margin.”

FINANCIAL INFORMATION

Adjusted Profit Margin (non-IFRS measure)

Our adjusted profit margin (non-IFRS measure) further increased from 11.0% in 2019 to 11.5% in 2020, primarily due to a 190.2% increase in our adjusted profit (non-IFRS measure) while revenue increased by 177.8% during the same year or period. Our adjusted profit margin (non-IFRS measure) decreased from 11.5% in 2020 to 10.6% in 2021, primarily due to a 64.5% increase in our adjusted profit (non-IFRS measure) while revenue increased by 78.1% during the same year.

Current Ratio

Our current ratio remained stable from 13.3 times as of December 31, 2019 to 12.1 times as of December 31, 2020. Our current ratio decreased from 12.1 times as of December 31, 2020 to 4.3 times in 2021 primarily because the increase of bank loans and other borrowings outpaced the increase of current asset. Our current ratio decreased to 3.1 times as of May 31, 2022.

Gearing Ratio

Our gearing ratio was (79.0) times, (114.1) times and 0.1 times as of December 31, 2019, 2020 and 2021, respectively. Our gearing ratio was (79.0) times as of December 31, 2019 and (114.1) times as of December 31, 2020, primarily because (i) our cash and cash equivalents exceeded bank loans and other borrowings and (ii) our total equity was relatively low resulting from financial instruments issued to investors. Our gearing ratio was 0.1 times as of December 31, 2021, primarily due to the increase in total equity as a result of the conversion of financial instruments issued to investors into equity of the Company upon termination of the preferential rights on September 6, 2021. For more details, please see “— Consolidated Statements of Profit or Loss — Non-IFRS Measure.” Our gearing ratio increased to 0.3 times as of May 31, 2022.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk, as set out below.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade receivables. Our exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which we considers to have low credit risk.

FINANCIAL INFORMATION

Our exposure to credit risk is influenced mainly by the individual characteristics of each client rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2019, 2020 and 2021 and as of May 31, 2022, 26.2%, 18.0%, 6.7% and 5.5% of the total trade receivables was due from our five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the client's past history of making payments when due and current ability to pay, and take into account information specific to the client as well as pertaining to the economic environment in which the client operates. Trade receivables are due within 180 days from the date of billing. Normally, we do not obtain collateral from customers. For further details, see Note 26(a) to the Accountants' Report set out in Appendix I to this Prospectus.

Liquidity Risk

Our policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. For further details, see Note 26(b) to the Accountants' Report set out in Appendix I to this Prospectus.

Interest Rate Risk

Our interest-bearing financial instruments at variable rates as of December 31, 2019, 2020 and 2021 and as of May 31, 2022 are the cash at bank, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. Our interest-bearing financial instruments at fixed interest rates as of December 31, 2019, 2020 and 2021 and as of May 31, 2022 are fixed deposits, bank loans and other borrowing and lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose us to fair value interest risk. Overall speaking, our exposure to interest rate risk is not significant. For further details, see Note 26(c) to the Accountants' Report set out in Appendix I to this Prospectus.

Currency Risk

As of December 31, 2019 and 2020, we are not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of the Company and its subsidiaries are not significant.

FINANCIAL INFORMATION

As of December 31, 2021 and May 31, 2022, we are exposed to currency risk primarily from bank loans and other borrowings that are denominated in United States dollars (“USD”). We manage this risk as follows:

(i) Exposure to currency risk

The following table details our exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currencies. For presentation purposes, the amounts of the exposure are expressed in RMB, translated using the spot rate at the period end date.

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	USD	USD	USD	USD
Exposure to foreign currencies (expressed in RMB'000)				
Cash and cash equivalents	433	1,122	1,409	706
Bank loans and other borrowings	—	(1,957)	(483,756)	(882,263)
	433	(835)	(482,347)	(881,557)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in our profit before taxation and other components of consolidated equity that would arise if foreign exchange rates to which we have significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As of December 31,				As of May 31,			
	2019		2020		2021		2022	
	Increase/ (decrease) in foreign exchange rates	Effect on profit before taxation	Increase/ (decrease) in foreign exchange rates	Effect on profit before taxation	Increase/ (decrease) in foreign exchange rates	Effect on profit before taxation	Increase/ (decrease) in foreign exchange rates	Effect on profit before taxation
	RMB'000		RMB'000		RMB'000		RMB'000	
Thailand Baht vs USD	5%	22	5%	56	5%	(4,711)	5%	35
	(5%)	(22)	(5%)	(56)	(5%)	4,711	(5%)	(35)
RMB vs USD	5%	—	5%	(98)	5%	(19,406)	5%	(44,113)
	(5%)	—	(5%)	98	(5%)	19,406	(5%)	44,113

FINANCIAL INFORMATION

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of our entities' profit before taxation measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes. For further details, please also see Note 26(d) to the Accountants' Report set out in Appendix I to this Prospectus.

DIVIDEND

Our Board is responsible for submitting proposals in respect of dividend payments, if any, to our Shareholders for approval at general meetings. A decision to declare any dividends and the amount of such dividends depend on various factors, including our results of operation, cash flows, financial condition, future business prospects, statutory and contractual restrictions on the payment of dividends by us and other factors that our Board considers relevant.

Save as otherwise disclosed in this Prospectus, no dividend has been paid or declared on a regular basis by our Company since its incorporation and up to the end of the Track Record Period.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, incentive fees, professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative Offer Price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately HK\$65.8 million, representing 10.2% of the gross proceeds from the Global Offering. The estimated total listing expenses consist of (i) underwriting commission of approximately HK\$16.1 million, and (ii) non-underwriting related expenses of approximately HK\$49.7 million, which consist of fees and expenses of legal advisers and reporting accountants of approximately HK\$37.3 million and other fees and expenses of approximately HK\$12.4 million. During the Track Record Period, we incurred listing expenses of RMB24.1 million, which have been charged to our consolidated statement of comprehensive income. We expect to incur additional listing expenses of approximately RMB18.7 million which are expected to be charged to our consolidated statements of comprehensive income subsequent to Track Record Period and approximately HK\$16.2 million will be accounted for as a deduction from equity upon the completion of the Global Offering. Our Directors do not expect such estimated expenses to have significant changes or will have a material and adverse impact on our financial results.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As of May 31, 2022, we had retained earnings of RMB2,658.2 million, representing the distributable reserves available for distribution to our Shareholders, which is further subject to restrictions in applicable PRC laws and regulations.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below for the purpose to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity Shareholders of the Company as of May 31, 2022 as if it had taken place on May 31, 2022.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of May 31, 2022 or at any future date.

	Consolidated net tangible assets attributable to the equity Shareholders of the Company as of May 31, 2022 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company per Share	
	RMB'000	RMB'000 ⁽⁴⁾	RMB'000	RMB ⁽³⁾	(HK\$ equivalent) ⁽⁴⁾
Based on an Offer Price of HK\$40.0 per H Share	5,157,206	453,593	5,610,799	12.01	13.89
Based on an Offer Price of HK\$52.0 per H Share	5,157,206	595,310	5,752,516	12.31	14.25

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as of May 31, 2022 have been calculated based on the audited consolidated total equity attributable to equity Shareholders of the Company as of May 31, 2022 of RMB5,157,236,000 after deduction of intangible assets of RMB30,000, extracted from the Accountants' Report set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 14,012,500 Shares to be issued at the estimated Offer Prices of HK\$40.0 per H Share (being the low-end of the Offer Price) and HK\$52.0 per H Share (being the high-end of the Offer Price), respectively, after deduction of the estimated underwriting fees and other estimated related expenses payable by the Group (excluding listing expenses of RMB24,082,000 have been expensed prior to May 31, 2022) and take no account of any shares which may be issued upon the exercise of the Over-allotment Option.

FINANCIAL INFORMATION

- (3) The unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company per Share is arrived at after the above adjustment and on the basis that 467,086,402 Shares were in issue immediately following the completion of the Global Offering assuming the Global Offering had completed on May 31, 2022 without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) For illustrative purpose, the estimated net proceeds from the Global Offering is converted from the Hong Kong dollar into Renminbi and the unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company per Share is converted from the Renminbi into Hong Kong dollar at the exchange rate of RMB1.00 to HK\$1.15686, the exchange rate set by PBOC prevailing on August 18, 2022. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company to reflect our any trading results or other transactions entered into subsequent to May 31, 2022.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this Prospectus, save as disclosed herein, there has been no material adverse change in our financial or trading position or prospects since May 31, 2022, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since May 31, 2022 which would materially affect the information as set out in the Accountants' Report in Appendix I to this Prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF 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 AND USE OF PROCEEDS

FUTURE PLANS

Please see the section entitled “Business — Our Strategies” in this Prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$46.00 per H Share (being the mid-point of the Offer Price range stated in this Prospectus), will be approximately HK\$578.8 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set forth below:

- Approximately 45% or HK\$260.5 million, will be used over the next three years for the improvement of our fruit supply chain, including:
 - (i) approximately 15% or HK\$86.8 million, will be used over the next three years to further expand our upstream procurement network and penetration. We plan to:
 - a. strengthen procurement capability in the places of origin by increasing the number of partnered orchards to ensure a consistent and quality supply and secure more high-quality fruits in advance. By the end of 2023, we expect to collaborate with an additional 1,330 orchards in Thailand and Vietnam, and 2,100 orchards by the end of 2024. New partner orchards are generally chosen based on the quality and uniqueness of their fruit, their operational experience, their credibility, as well as their production volume. We plan to collaborate with orchards with production volume ranging from 50 tons to 200 tons. Our local procurement teams work closely with the local market to conduct research and select high-quality local orchards for collaboration. The net proceeds will be utilized as deposit on high-quality orchards and to facilitate such collaboration;
 - b. recruit local talents and expand local teams in Thailand and Vietnam. In Thailand, we plan to recruit 68 employees by the end of 2022, 110 employees by the end of 2023, and 120 employees by the end of 2024. In Vietnam, we plan to recruit 45 employees in 2022, 65 employees in 2023 and 90 employees in 2024. These new hires will be responsible for coordinating local procurement and logistics, managing local processing, performing quality control on our procurement, as well as general administration;

FUTURE PLANS AND USE OF PROCEEDS

- c. lease or build more fruit processing plants with advanced processing equipment. We plan to have 12 and 18 new fruit processing plants in Thailand and Vietnam by the end of 2023 and 2024, respectively. In line with our long-term strategy to supply high-quality fruits, we plan to devote new processing plants to further development of our core fruit products, with an estimated daily processing capacity ranging from 160 tons to 1,040 tons;
 - d. invest in the research and development in relation to fruit picking, grading, preservation, ripening and storage;
- (ii) approximately 15% or HK\$86.8 million, will be used over the next three years to expand our sales and distribution network. We plan to:
- a. gradually set up new sales branches across China with a focus on cities with a population of over five million to enhance our service capability. In the past few years, our sales branch functioned as frontline sales grids to support the expansion of our sales and distribution network as well as business growth. In 2019, 2020 and 2021 and the five months ended May 31, 2022, the average sales revenue per sales branch was RMB129.9 million, RMB320.6 million, RMB541.1 million and RMB301.3 million. In light of the captivating historical performances, we believe it is in our best interest to continue to scale our business and sales through setting up additional sales branch across China. Specifically, we plan to set up approximately three and four new sales branches by the end of 2022 and 2023, respectively, primarily in lower-tier cities where we currently have limited local presence and market penetration, such as Urumqi and Haikou. We expect the number of new sales branches we open in 2023 will be at least equal to the number we plan to open in 2022, subject to market conditions;
 - b. recruit more employees taking charge of customer development, set up more points of sale, and purchase office equipment. We plan to recruit 550, 800 and 1,120 employees by the end of 2022, 2023 and 2024, respectively. These employees will be responsible for managing our business relationship with current customers while exploring new opportunities to expand customer base, identifying new sales trends and opportunity, as well as general administration;

FUTURE PLANS AND USE OF PROCEEDS

- (iii) approximately 15% or HK\$86.8 million, will be used over the next three years to strengthen our management capacity on logistics and warehousing. We plan to:
 - a. invest in the construction of more sorting centers and the purchase of necessary machines and equipment. To this end, we plan to set up 23, 34 and 34 new sorting centers by the end of 2022, 2023 and 2024, respectively, and primarily in lower-tier cities in order to reach a broader consumer base. We anticipate that, with the assistance of more advanced technologies, the sorting capability of new sorting centers will greatly exceed that of our current sorting centers. Please see “Business — Our Supply Chain Management — Our Supply Chain Infrastructure Network — Sorting centers” for details of our sorting capacity;
 - b. invest in more IoT and other advanced technologies, such as various sensors in relation to temperature, humidity and GPS in each key stage along the value chain;
 - c. introduce more intelligent machines and equipment with respect of automatic warehousing management, automatic inventory management, automatic information recording, in order to track the full life-cycle of our products and enhance the digitalization and informatization of logistics and warehousing. In particular, we plan to deploy an integrated cold-chain management system backed by both hardware devices and software system at refrigeration rooms in our sorting centers. This system would allow us to control temperature and humidity of rooms as well as door opening remotely, and enable us to receive early notice of potential disruptions. In the meantime, the software system would facilitate the management of our entire inventory flow, labor force and information in and out along our supply chain, leading to reduced manual counts and improved inventory visibility as well as operational accuracy;
- Approximately 22% or HK\$127.3 million, will be used over the next three years for fruit brand building and product promotion, including:
 - (i) approximately 10% or HK\$57.9 million, will be used over the next three years for sales activities promoting online and offline fruit sales. In particular, we plan to utilize more marketing booths at offline fruit retail terminals, open our brand zones on major fruit retail online platforms, and carry out more marketing activities in conjunction with different retail terminals to strengthen customer recognition of our brands. In the meantime, we plan to invest in recruitment and training of our marketing team to improve sales and market efficiency;

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately 7% or HK\$40.5 million, will be used over the next three years for brand advertising. We plan to invest more resources in increasing the presence and exposure of our brands in fruit retail terminals by establishing and optimizing brand zones and booths for our branded fruits. We plan to provide more products catering to prevailing consumers' needs, and to innovate and upgrade the packaging design of our branded fruits. We also plan to increase investments in advertising, through new media marketing, content marketing and KOLs;
 - (iii) approximately 5% or HK\$28.9 million, will be used over the next three years to incubate new brands. We plan to invest in brand planning, including advertising content production, product packaging design and brand marketing positioning. In addition, we plan to develop new brands to continuously enrich our product portfolio and gain more opportunities for our business growth. For example, we plan to introduce new brands for fruits with differentiated tastes and premium attributes, such as jackfruit and green pomelo. The places of origin of these fruits are Vietnam and Thailand, and we intend to develop high-end brands for them;
- Approximately 16% or HK\$92.6 million, will be used over the next three years for digital system upgrade and global fruit industry internet platform development, including:
 - (i) approximately 8% or HK\$46.3 million, will be used over the next three years to further develop and upgrade our *HJ Star Bridge* (洪九星橋) system. To this end, we plan to invest in both software system and hardware equipment. Through the improvement of both software and hardware, we could further develop business-assisted decision making functions currently in the system for our daily operations, such as port selection, fruit assessment and grading, logistics route planning, shipping arrangements, sales region selection and sales forecasting, thereby improving our overall operational efficiency. In particular, we plan to advance the system by further incorporating technologies such as AI, 5G, and IoT. Leveraging 5G technologies, we expect to further lower the latency of our visualized supply chain system, thereby enhancing the system and our remote execution capabilities. Leveraging AI technologies, we expect to enhance the automation and intelligentization of our system, especially for tasks such as container management and logistics route planning, leading to a less error-prone operation and decreased labor costs. To this end, we also plan to recruit additional technology talents that are specialized in algorithms, software development, data structure and data analysis, thereby enhancing our current system framework and building up our technical barriers;

FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately 8% or HK\$46.3 million, will be used over the next three years to create an internet platform for the fruit industry. While our current *HJ Star Bridge* (洪九星橋) system primarily facilitates our internal supply chain management and decision makings, we plan to build a platform that further connects external participants in the upstream and downstream sectors of the fruit value chain. Stemming from our existing system and database, we aim to further bridge information from both sectors via the platform and make it accessible to the external, including the suppliers of our fruit, logistics and customs clearance services, as well as customers, namely terminal wholesalers, emerging retailers and supermarkets, thereby promoting data sharing, strengthening collaboration with external participants and streamlining end-to-end supply chain. We plan to connect with suppliers and customers via the platform through allowing suppliers to transmit and receive data seamlessly, while allowing customers to monitor and get updates on their orders effortlessly. To this end, we plan to introduce more advanced software that facilitates data processing and analysis, as well as invest in hardware, such as more advanced IoT sensors, to aid in data collection. For example, we plan to develop a digitalized orchard on the platform, where our fruit suppliers could record their agricultural practices and know-hows, such as soil humidity, sunlight and temperature, with more accuracy through cutting-edge IoT sensors like agricultural drone and remote sensing drone. The platform will further analyze such information and generate standardized planting techniques for sharing with other partnered fruit suppliers. By doing so, we could improve the overall fruit quality of our products for our customers, and attract more fruit suppliers to our supply chain. We also plan to recruit approximately 150 talents with expertise in the agricultural fields, as well as engineers for improving functionality and capability of the platform by the end of 2024;
- Approximately 7% or HK\$40.5 million, will be used over the next three years for repayment of bank loans. As of May 31, 2022, we had an aggregate amount of RMB1,576.2 million bank loans and other borrowings that are expected to be repaid partially with proceeds received from the Global Offering. The interest rates of these bank loans and other borrowings range from 0.6% to 4.9%, and the maturity dates fall within one year. These bank loans and other borrowings were used for fruit procurement and the expansion of our sales and distribution network;
 - Approximately 10% or HK\$57.9 million, will be used for replenishing working capital needs and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range or that the Over-allotment Option is exercised.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at HK\$52.00 per H Share (being the high-end of the Offer Price range stated in this Prospectus) and assuming the Over-allotment Option is not exercised, we will receive the net proceeds of approximately HK\$660.8 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

If the Offer Price is fixed at HK\$40.00 per H Share (being the low-end of the Offer Price range stated in this Prospectus) and assuming the Over-allotment Option is not exercised, we will receive the net proceeds of approximately HK\$496.8 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK\$82.0 million (assuming an Offer Price of HK\$40.00 per H Share, being the low-end of the proposed Offer Price range), HK\$94.3 million (assuming an Offer Price of HK\$46.00 per H Share, being the mid-point of the proposed Offer Price range) or HK\$106.5 million (assuming an Offer Price of HK\$52.00 per H Share, being the high-end of the proposed Offer Price range), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will deposit the proceeds into short-term interest-bearing bank accounts with licensed banks and/or authorized financial institutions in Hong Kong or the PRC (as defined under the Securities and Futures Ordinance, the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant laws in the PRC). We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

CORNERSTONE INVESTORS

THE CORNERSTONE INVESTMENT

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set forth below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), who have agreed to, subject to certain conditions, subscribe or cause their designated entities to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased at the Offer Price with an aggregate amount of approximately US\$26.0 million (exclusive of the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy) (the “**Cornerstone Investment**”).

Assuming an Offer Price of HK\$52.00 per Offer Share (being the high-end of the indicative Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 3,921,700, representing approximately 27.99% of the Offer Shares and approximately 0.84% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$46.00 per Offer Share (being the mid-point of the indicative Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 4,433,300, representing approximately 31.64% of the Offer Shares and approximately 0.95% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$40.00 per Offer Share (being the low-end of the indicative Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 5,098,300, representing approximately 36.38% of the Offer Shares and approximately 1.09% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. Our Company is of the view that the Cornerstone Investment will help raise the profile of our Company and to signify that such investors have confidence in the business and prospect of our Group. We became acquainted with each of the Cornerstone Investors mainly through introduction by the relevant Joint Global Coordinator.

The Cornerstone Investment will form part of the International Offering, and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company pursuant to Rule 8.24 of the Listing Rules.

CORNERSTONE INVESTORS

Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company. The Cornerstone Investors or their close associates will not, by virtue of their Cornerstone Investments, have any Board representation in our Company. As confirmed by each Cornerstone Investor, their subscription under the Cornerstone Investment would be financed by either (i) the proprietary funding of the funds under their or their fund managers' management, as appropriate, or (ii) their own internal financial resources. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders. There are no side arrangements or arrangements between us and the Cornerstone Investors in relation to the Global Offering.

To the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, our subsidiaries, our Directors, our Supervisors, chief executive, Controlling Shareholders, substantial shareholders, existing Shareholders or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of H Shares registered in their name or otherwise held by them; and (iii) none of the Cornerstone Investment is financed by our Company, our subsidiaries, our Directors, our Supervisors, chief executive, Controlling Shareholders, substantial shareholders, existing Shareholders or any of their respective close associates.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation". Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around September 2, 2022.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in our Company's H Shares commence on the Stock Exchange. There will be no deferred settlement arrangement for the Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements. Pursuant to the Cornerstone Investment Agreements, the Joint Global Coordinators have discretion to effect a delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors, subject to the conditions contained therein. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares at or before 8 a.m. on the Listing Date. As such, there will be no deferred settlement for the investment amounts pursuant to the Cornerstone Investment Agreements.

CORNERSTONE INVESTORS

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the respective Cornerstone Investors in connection with the Cornerstone Investment.

GF Global

GF Global Capital Limited (廣發全球資本有限公司) (“**GF Global**”) is a limited liability company incorporated under the laws of Hong Kong in 2015, and is principally engaged in investment activities. The investment of GF Global covers a diversified fixed income, currencies and commodities investment portfolio across different regions, industries, currencies, and asset classes including assets from multiple countries and different investment fields such as bonds, fixed income related products, alternative investment products, commodities and market neutral strategies. GF Global also leverages on its investment such as treasury bond futures, foreign exchange agreement and credit default swap to hedge its portfolio risks.

GF Global is ultimately wholly-owned by GF Securities Co., Ltd. (廣發証券股份有限公司), a company listed on the Stock Exchange (stock code: 1776) and the Shenzhen Stock Exchange (stock code: 000776.SZ), a capital market services provider with industry leading innovation capabilities. Approval from the shareholders of GF Securities Co., Ltd., the Stock Exchange or the Shenzhen Stock Exchange is not required for GF Global to subscribe for the Shares pursuant to the relevant Cornerstone Investment Agreement.

China Southern

China Southern Asset Management Co., Ltd. (南方基金管理有限公司) was established in the PRC on March 6, 1998 approved by the CSRC and was converted into a joint stock limited company under the name of China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司) (“**China Southern**”) on January 4, 2018. China Southern is headquartered in Shenzhen. As of June 30, 2022, China Southern had a total amount of assets under management (“**AUM**”) of RMB1,816.9 billion on a consolidated basis, with China Southern itself having a total AUM of RMB1,698.5 billion, among the largest in the industry. China Southern manages 296 mutual funds with a total AUM of RMB1,050.2 billion and serves over 178 million clients. The shareholders of China Southern include (i) Huatai Securities Co., Ltd. (华泰証券股份有限公司), holding 41.16% in China Southern, which is listed on the Stock Exchange (stock code: 6886), the Shanghai Stock Exchange (stock code: 601688.SH) and the London Stock Exchange (symbol: HTSC); and (ii) Industrial Securities Co., Ltd. (興業証券股份有限公司), holding 9.15% in China Southern, which is listed on the Shanghai Stock Exchange (stock code: 601377.SH). Approval from the shareholders of each of Huatai Securities Co., Ltd. and Industrial Securities Co., Ltd., the Stock Exchange, the Shanghai Stock Exchange or the London Stock Exchange is not required for the subscription for the Offer Shares pursuant to the relevant Cornerstone Investment Agreement.

CORNERSTONE INVESTORS

The table below sets out details of the Cornerstone Investment:

Cornerstone Investor	Subscription amount	Number of Offer Shares ⁽¹⁾	Assuming a final Offer Price of HK\$52.00 per Offer Share (being the high-end of the indicative Offer Price range)			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital
	<i>(US\$ in millions)</i>					
GF Global	14.5	2,187,100	15.61%	0.47%	13.57%	0.47%
China Southern	11.5	1,734,600	12.38%	0.37%	10.76%	0.37%
Total	26.0	3,921,700	27.99%	0.84%	24.34%	0.84%

Cornerstone Investor	Subscription amount	Number of Offer Shares ⁽¹⁾	Assuming a final Offer Price of HK\$46.00 per Offer Share (being the mid-point of the indicative Offer Price range)			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital
	<i>(US\$ in millions)</i>					
GF Global	14.5	2,472,400	17.64%	0.53%	15.34%	0.53%
China Southern	11.5	1,960,900	13.99%	0.42%	12.17%	0.42%
Total	26.0	4,433,300	31.64%	0.95%	27.51%	0.94%

Cornerstone Investor	Subscription amount	Number of Offer Shares ⁽¹⁾	Assuming a final Offer Price of HK\$40.00 per Offer Share (being the low-end of the indicative Offer Price range)			
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital	Approximate % of the Offer Shares	Approximate % of the issued share capital
	<i>(US\$ in millions)</i>					
GF Global	14.5	2,843,300	20.29%	0.61%	17.64%	0.61%
China Southern	11.5	2,255,000	16.09%	0.48%	13.99%	0.48%
Total	26.0	5,098,300	36.38%	1.09%	31.64%	1.09%

Note:

- (1) Rounded down to the nearest whole board lot of 100 H Shares. Calculated based on the exchange rate set out in the section headed “Information about this Prospectus and the Global Offering — Currency Translation.” The exact number of H Shares to be subscribed by the Cornerstone Investors will be subject to the exchange rate as prescribed in the relevant cornerstone investment agreement.

CORNERSTONE INVESTORS

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under their respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the underwriting agreements for the Hong Kong Public Offering and the International Underwriting being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (on behalf of themselves and the other underwriters of the Global Offering);
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the Shares subscribed for by the Cornerstone Investors as well as other applicable waivers and approvals), and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (d) no Laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective agreements, representations, warranties, undertakings, confirmations and acknowledgements of the Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have subscribed for pursuant to the relevant Cornerstone Investment Agreement, save for in certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

UNDERWRITING

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited

Citigroup Global Markets Asia Limited

UBS AG Hong Kong Branch

ABCI Securities Company Limited

CMB International Capital Limited

China Merchants Securities (HK) Co., Limited

ICBC International Securities Limited

Guotai Junan Securities (Hong Kong) Limited

China Galaxy International Securities (Hong Kong) Co., Limited

Silverbricks Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 1,401,400 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this Prospectus and the **GREEN** Application Form at the Offer Price.

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from Domestic Shares as mentioned herein, and certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters)), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this Prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange:

- (A) there develops, occurs, exists or comes into force:
 - (a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Thailand, Vietnam, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a “**Relevant Jurisdiction**”); or
 - (b) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or
 - (c) any event or series of events, whether in continuation, or circumstances in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war (whether declared or undeclared), acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak, escalation, mutation or aggravation of diseases, epidemics or pandemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS), COVID-19 and such related/mutated forms, economic sanction), any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form, political change, paralysis of government operations, interruption or delay in transportation, other industry action in or directly or indirectly affecting any Relevant Jurisdiction; or

UNDERWRITING

- (d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (e) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent governmental authority), New York (imposed at Federal or New York State level or other competent governmental authority), London, Thailand, Vietnam, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (f) any (i) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or (ii) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or
- (g) the issue or requirement to issue by the Company of a supplemental or amendment to this Prospectus, Application Form (as defined in the Hong Kong Underwriting Agreement), Preliminary Offering Circular (as defined in the Hong Kong Underwriting Agreement) or Offering Circular (as defined in the Hong Kong Underwriting Agreement) or other documents in connection with the offer and sale of the H Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the CSRC, the Stock Exchange or the SFC; or
- (h) any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed “Risk Factors” in this Prospectus; or
- (i) any litigation or claim being threatened or instigated against any member of the Group or any Director or Supervisor; or
- (j) any contravention by any member of the Group, any Director or Supervisor of the Companies Ordinance, the PRC Company Law or the Listing Rules; or
- (k) any executive Directors or Supervisors of the Company vacating his office; or

UNDERWRITING

- (l) a governmental authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or action or other proceedings, or announcing an intention to investigate or take other action or proceedings against any member of the Group or any of the chairman, president or the Director or Supervisor, or any of them being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director or Supervisor or any announcement by any governmental, political, regulatory body that it intends to take any such action; or
- (m) any material adverse change or prospective material adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any member of the Group; or
- (n) any material breach of any of the obligations of the Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (o) a petition being presented for the winding-up or liquidation of any member of the Group, or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (p) a prohibition on the Company for whatever reason from allotting, issuing or selling the H Shares (including the Over-allotment Option Shares (if any)) pursuant to the terms of the Global Offering; or
- (q) the imposition of sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on the Company or any member of the Group; or

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (i) is or will be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of the Company or the Group as a whole or to any present or prospective shareholder of the Company in its capacity as such; or (ii) has or will have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make

UNDERWRITING

or will make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (iii) makes or will make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this Prospectus, the Application Form, the Formal Notice (as defined in the Hong Kong Underwriting Agreement), the Preliminary Offering Circular or the Offering Circular; or (iv) would have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (B) there has come to the notice of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):
- (a) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the Operative Documents (as defined in the Hong Kong Underwriting Agreement), the Preliminary Offering Circular and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole in any material respect; or
 - (b) any contravention by any Group member or any Director or Supervisor of any law; or
 - (c) non-compliance of this Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Law; or
 - (d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, not having been disclosed in the Offering Documents, constitutes a material omission therefrom; or

UNDERWRITING

- (e) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company and the Controlling Shareholders or (ii) any of the representations, warranties and undertakings given by the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or
- (f) any event, act or omission which gives or is likely to give rise to any liability of the Company and the Controlling Shareholders pursuant to the indemnities given by the Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement; or
- (g) a significant portion of the orders in the bookbuilding process at the time of the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or
- (h) any expert, whose consent is required for the issue of this Prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the Sole Sponsor) prior to the issue of this Prospectus; or
- (i) any material adverse change or prospective material adverse change or development involving a prospective material adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of the Company and its subsidiaries, as a whole; or
- (j) Admission (as defined in the Hong Kong Underwriting Agreement) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (k) the Company has withdrawn the Offering Documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

then the Sole Sponsor and the Joint Global Coordinators may (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

UNDERWRITING

Undertakings pursuant to the Listing Rules

Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except for the issue of Shares or securities pursuant to the Global Offering (including the Over-allotment Option) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to us that, except pursuant to the Global Offering and the Over-allotment Option, he/she/it shall not and shall procure that the registered holders of the Shares controlled by him/her/it (if applicable) shall not:

- (i) in the period commencing on the date of the Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of the Company in respect of which we are shown in the Prospectus to be the beneficial owners; or
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would then cease to be a group of Controlling Shareholders.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to us that, within the period commencing on the date of this Prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (i) when he/she/it pledge or charge any Shares or securities of the Company beneficially owned by us in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares or securities of the Company so pledged or charged; and
- (ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of the Company will be disposed of, immediately inform the Company in writing of such indications.

UNDERWRITING

Undertakings pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including the Over-allotment Option) or with the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), and unless in compliance with the Listing Rules, we shall not, during a period of six months from the Listing Date (the “**First Six-Month Period**”) and whether conditionally or unconditionally:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of the Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other equity securities of the Company, with a depository in connection with the issue of depository receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of the Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other equity securities of the Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified in sub-paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

UNDERWRITING

Undertakings by the Controlling Shareholders

Each of our Controlling Shareholders agrees and undertakes to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters and the Company that subject to the terms of the Hong Kong Underwriting Agreement, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, he/she/it will not:

- (i) at any time during the First Six-Month Period, offer, pledge, charge, sell, lend, mortgage, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities of the Company or any interest therein); or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such share capital or securities of the Company or any interest therein, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares); or enter into any transaction with the same economic effect as any transaction specified above; or offer to or agree to do any of the foregoing or announce any intention to do so, in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities of the Company, in cash or otherwise, and
- (ii) at any time during the Second Six-Month Period, enter into any of the transactions specified in (i) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/she/it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company.

Each of our Controlling Shareholders agrees and undertakes to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters and the Company that, subject to the terms of the Hong Kong Underwriting Agreement and until the expiry of the Second Six-Month Period, in the event that he/she/it will enter into any of the transactions specified above or offer to or agree to or announce any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the securities of the Company, provided that the above undertaking shall not (x) apply to Shares acquired by our Controlling Shareholders subsequent to the completion of the Global Offering; or (y) prevent them from using the Shares beneficially owned by them as security (including a charge or a pledge) in favour of a

UNDERWRITING

commercial bank or a financial institution for a bona fide commercial loan, provided that (i) they immediately inform the Company and the Joint Global Coordinators of such pledge or charge together with the number of Shares so pledged or charged, and (ii) when they receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company and the Joint Global Coordinators of such indications.

Indemnity

Our Company has agreed to indemnify, among other, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, as the case may be.

Sole Sponsor's Fee

An amount of US\$250,000 is payable by our Company as sponsor fees to the Sole Sponsor.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option), failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 2,101,800 additional Offer Shares representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

UNDERWRITING

Total Commission and Expenses

The Underwriters will receive an underwriting commission of 2.3% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option. Our Company may, at our sole and absolute discretion, pay to one or more Underwriters an incentive fee up to but not exceeding 0.2% of the Offer Price of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$46.00 per Offer Share (being the mid-point of the indicative offer price range of HK\$40.00 to HK\$52.00 per Offer Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, FRC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK\$65.8 million in total.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering (together, referred to as “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or the stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the H Shares as their or part of their underlying assets. Those activities

UNDERWRITING

may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering — The International Offering — Over-allotment Option” and “Structure of the Global Offering — The International Offering — Stabilization.” These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Hong Kong Underwriters’ Interests in our Company

Save as otherwise disclosed in this Prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

UNDERWRITING

Other Services to our Company

Certain of the Joint Global Coordinators, the Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Joint Global Coordinators, Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Other Services Provided by the Underwriters

The Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this Prospectus. Such Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of our H Shares.

Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option are set forth in “Structure of the Global Offering — The International Offering — Stabilization,” and “Structure of the Global Offering — The International Offering — Over-allotment Option.”

Independence of the Sole Sponsor

The Sole Sponsor satisfied the independence criteria set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of initially 1,401,400 Offer Shares in Hong Kong as described below in the paragraph headed “— The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of initially 12,611,100 Offer Shares outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Joint Global Coordinators, as representative of the International Underwriters, have an option to require us to issue and allot up to 2,101,800 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 3.4% of our Company’s enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may either

- (1) apply for Offer Shares under the Hong Kong Public Offering; or
- (2) apply for or indicate an interest for Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 3.0% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 3.4% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in “— The International Offering — Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed “— The Hong Kong Public Offering — Reallocation” below.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 1,401,400 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 0.3% of our Company's registered capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “— The International Offering — Conditions of the Hong Kong Public Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally into two pools: pool A and pool B (with any odd lots being allocated to pool A). The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple

STRUCTURE OF THE GLOBAL OFFERING

or suspected multiple applications and any application for more than approximately 50% of the 1,401,400 H Shares initially comprised in the Hong Kong Public Offering (that is 700,700 Hong Kong Offer Shares) will be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. In accordance with paragraph 4.2 of Practice Note 18 of the Listing Rules, if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 4,203,800 Offer Shares, 5,605,000 Offer Shares and 7,006,400 Offer Shares, respectively, representing approximately 30% (in the case of (i)), approximately 40% (in the case of (ii)) and approximately 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), reallocation being referred to in this Prospectus as “Mandatory Reallocation.” In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators may reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, up to 1,401,400 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 2,802,800 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option) and in case of such reallocation, the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK\$40.00 per Offer Share) as stated in this Prospectus.

STRUCTURE OF THE GLOBAL OFFERING

In the event that the International Offering and the Hong Kong Public Offering are undersubscribed, the Global Offering shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$52.00 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “— The International Offering — Pricing of the Global Offering” below, is less than the maximum price of HK\$52.00 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see “How to Apply for Hong Kong Offer Shares.”

References in this Prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 12,611,100 Offer Shares to be initially offered by us, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering and approximately 2.7% of our Company's enlarged share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and

STRUCTURE OF THE GLOBAL OFFERING

other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “— The International Offering — Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback mechanism described in the sub-section headed “The Hong Kong Public Offering — Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 2,101,800 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 0.45% of our Company’s enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STRUCTURE OF THE GLOBAL OFFERING

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be issued under the Over-allotment Option, namely, 2,101,800 H Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, include:

- (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;
- (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;

STRUCTURE OF THE GLOBAL OFFERING

- (c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling the H Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Wednesday, September 28, 2022. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STRUCTURE OF THE GLOBAL OFFERING

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Monday, August 29, 2022 and in any event on or before Tuesday, August 30, 2022, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company.

The Offer Price will not be more than HK\$52.00 per Offer Share and is expected to be not less than HK\$40.00 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.**

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (<http://www.hjfruit.com>) notices of the reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, our Company will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public

STRUCTURE OF THE GLOBAL OFFERING

Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering. The International Offer Shares and the Hong Kong Offer Shares may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

Assuming an Offer Price of HK\$46.00 per Offer Share (being the mid-point of the Offer Price range of between HK\$40.00 and HK\$52.00 per Offer Share), the net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$578.8 million.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Friday, September 2, 2022 and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (<http://www.hjfruit.com>).

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed “Underwriting” in this Prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Admission of the Shares into CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option);
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Tuesday, August 30, 2022, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of the Stock Exchange at www.hkexnews.hk and our Company at <http://www.hjfruit.com> on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Friday, September 2, 2022 but will only become valid evidence of title at 8:00 a.m. on Monday, September 5, 2022 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination” in this Prospectus has not been exercised.

Dealings in the H Shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, September 5, 2022, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Monday, September 5, 2022.

The H Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares will be 6689.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this Prospectus or any printed copies of any application forms for use by the public.

This Prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at <http://www.hjfruit.com>. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the Prospectus are identical to the printed Prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this Prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, both at +852 2862 8600 on the following dates:

Wednesday, August 24, 2022	—	9:00 a.m. to 9:00 p.m.
Thursday, August 25, 2022	—	9:00 a.m. to 9:00 p.m.
Friday, August 26, 2022	—	9:00 a.m. to 9:00 p.m.
Saturday, August 27, 2022	—	9:00 a.m. to 6:00 p.m.
Sunday, August 28, 2022	—	9:00 a.m. to 6:00 p.m.
Monday, August 29, 2022	—	9:00 a.m. to 12:00 noon

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **White Form eIPO** service at www.eipo.com.hk; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
- (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the designated **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director, Supervisor or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- (a) have a valid Hong Kong identity card number; and
- (b) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, apply online through the **White Form eIPO** service on the designated website at www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this Prospectus, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- (iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus (if any);
- (v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it, if any);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers

HOW TO APPLY FOR HONG KONG OFFER SHARES

or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus;

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) and are not a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “— 15. Despatch/Collection of H Share Certificates and Refund Monies — Personal Collection” in this Prospectus to collect the H share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration; and
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that

HOW TO APPLY FOR HONG KONG OFFER SHARES

person or by that person or by any other person as agent for that person giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

5. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

Chongqing Hongjiu Fruit Co., Limited
(HK\$52.00 per Hong Kong Offer Share)

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
100	5,252.41	2,000	105,048.17	10,000	525,240.82	200,000	10,504,816.40
200	10,504.82	2,500	131,310.21	20,000	1,050,481.64	250,000	13,131,020.50
300	15,757.22	3,000	157,572.24	30,000	1,575,722.46	300,000	15,757,224.60
400	21,009.63	3,500	183,834.28	40,000	2,100,963.28	350,000	18,383,428.70
500	26,262.04	4,000	210,096.33	50,000	2,626,204.10	400,000	21,009,632.80
600	31,514.45	4,500	236,358.37	60,000	3,151,444.92	450,000	23,635,836.90
700	36,766.85	5,000	262,620.41	70,000	3,676,685.74	500,000	26,262,041.00
800	42,019.26	6,000	315,144.49	80,000	4,201,926.56	550,000	28,888,245.10
900	47,271.67	7,000	367,668.58	90,000	4,727,167.38	600,000	31,514,449.20
1,000	52,524.08	8,000	420,192.65	100,000	5,252,408.20	650,000	34,140,653.30
1,500	78,786.13	9,000	472,716.74	150,000	7,878,612.30	700,700 ⁽¹⁾	36,803,624.25

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed “— 2. Who can apply” in this section may apply through the **White Form eIPO** Service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider, **Computershare Hong Kong Investor Services Limited**, at +852 2862 8600 on the following dates:

Wednesday, August 24, 2022 — 9:00 a.m. to 9:00 p.m.
Thursday, August 25, 2022 — 9:00 a.m. to 9:00 p.m.
Friday, August 26, 2022 — 9:00 a.m. to 9:00 p.m.
Saturday, August 27, 2022 — 9:00 a.m. to 6:00 p.m.
Sunday, August 28, 2022 — 9:00 a.m. to 6:00 p.m.
Monday, August 29, 2022 — 9:00 a.m. to 12:00 noon

Time for Submitting Applications under the White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, August 24, 2022 until 11:30 a.m. on Monday, August 29, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, August 29, 2022 or such later time under the paragraph headed “— 11. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Commitment to Sustainability

The obvious advantage of the **White Form eIPO** service is to save the use of paper via the self-service and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2.00 for each “Chongqing Hongjiu Fruit Co., Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

7. APPLYING THROUGH CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong if you complete an input request.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Applying through CCASS EIPO Service

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this Prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allotted to you and to send H share certificate(s) and/or refund monies under the arrangements separately agreed between the Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to this Prospectus, if any);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):
 - (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H Shares in the Company are freely transferable by their holders;
- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this Prospectus.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, August 24, 2022 — 9:00 a.m. to 8:30 p.m.

Thursday, August 25, 2022 — 8:00 a.m. to 8:30 p.m.

Friday, August 26, 2022 — 8:00 a.m. to 8:30 p.m.

Monday, August 29, 2022 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, August 24, 2022 until 12:00 noon on Monday, August 29, 2022 (24 hours daily, except on Monday, August 29, 2022, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, August 29, 2022, the last application day or such later time as described in the paragraph headed “— 11. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the H Share Registrar, the receiving bank(s), the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this Prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's H Shares;
- establishing benefit entitlements of holders of the Company's H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to holders of the Company's H Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Transfer of personal data

Personal data held by the Company and its H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and its H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this Prospectus or as notified from time to time, for the attention of the secretary, or the Company's H Share Registrar for the attention of the privacy compliance officer.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the designated **White Form eIPO** Service Provider will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System or the CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, August 29, 2022, the last application day, or such time as described in the paragraph headed “— 11. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section.

9. HOW MANY APPLICATIONS YOU CAN MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS eIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

10. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$52.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK\$5,252.41.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in “— 5. Minimum Application Amount and Permitted Numbers”, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy and FRC transaction levy, collected by the Stock Exchange on behalf of the SFC and FRC respectively).

For further details on the Offer Price, please refer to the paragraph headed “Structure of the Global Offering — The International Offering — Pricing of the Global Offering” in this Prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

11. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 am and 12:00 noon on Monday, August 29, 2022. Instead they will open between 11:45 am and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 am and 12:00 noon.

If the application lists do not open and close on Monday, August 29, 2022 or if there is/are a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this Prospectus, an announcement will be made on our website at <http://www.hjfruit.com> and the website of the Stock Exchange at www.hkexnews.hk.

12. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, September 2, 2022 on the Company’s website at <http://www.hjfruit.com> and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on the Company’s website at <http://www.hjfruit.com> and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 am on Friday, September 2, 2022;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, September 2, 2022 to 12:00 midnight, on Thursday, September 8, 2022; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- from the allocation results telephone enquiry line by calling + 852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Friday, September 2, 2022, Monday, September 5, 2022, Tuesday, September 6, 2022 and Wednesday, September 7, 2022.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this Prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

13. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** Service Provider, you agree that your application or application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (a) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this Prospectus; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) if any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the designated **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iv) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

14. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed “Structure of the Global Offering — The International Offering — Conditions of the Hong Kong Public Offering” in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, September 2, 2022.

15. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the H share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of H share certificates and refund monies as mentioned below, any refund cheques and H share certificates are expected to be posted on or before Friday, September 2, 2022. The right is reserved to retain any H share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

H Share certificates will only become valid at 8:00 a.m. on Monday, September 5, 2022 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this Prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the White Form eIPO service

If you apply for 500,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) and/or refund cheque(s) (where applicable) from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, September 2, 2022, or such other date as notified by the Company as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) and/or refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 500,000 Hong Kong Offer Shares, your H Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, September 2, 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(ii) If you apply through CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of H Share Certificates into CCASS and Refund of Application Monies

If your application is wholly or partially successful, your H share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant's stock account on Friday, September 2, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.

The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a **broker** or **custodian**, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed “— 12. Publication of Results” in this section on Friday, September 2, 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, September 2, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

If you have instructed your **broker** or **custodian** to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Friday, September 2, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Friday, September 2, 2022.

HOW TO APPLY FOR HONG KONG OFFER SHARES

16. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-78, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHONGQING HONGJIU FRUIT CO., LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of 重慶洪九果品股份有限公司 (Chongqing Hongjiu Fruit Co., Limited, the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-5 to I-78, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2019, 2020 and 2021 and May 31, 2022, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-5 to I-78 forms an integral part of this report, which has been prepared for inclusion in the Prospectus of the Company dated August 24, 2022 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 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 purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2019, 2020 and 2021 and May 31, 2022 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended May 31, 2021 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent

Auditor of the Entity” issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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-4 have been made.

Dividends

We refer to note 25(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
August 24, 2022

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Chengdu Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi ("RMB"))

	Note	Year ended December 31,			Five months ended May 31,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(unaudited)</i>	
Revenue	4	2,077,697	5,771,391	10,280,074	4,575,651	5,725,114
Cost of sales		(1,684,757)	(4,814,219)	(8,666,973)	(3,838,850)	(4,601,736)
Gross profit		392,940	957,172	1,613,101	736,801	1,123,378
Selling and distribution expenses		(46,255)	(92,743)	(183,834)	(67,790)	(83,913)
Administrative expenses		(85,495)	(125,757)	(187,895)	(55,239)	(140,941)
Other net income	5	18,927	53,977	87,994	28,741	21,996
Other expenses		(591)	(2,310)	(3,547)	(1,261)	(2,110)
Profit from operations		279,526	790,339	1,325,819	641,252	918,410
Finance costs	6(a)	(2,402)	(5,581)	(29,134)	(9,142)	(22,383)
Changes in the carrying amount of liabilities recognized for preferential rights issued to investors		(65,172)	(659,600)	(797,150)	(528,267)	—
Profit before taxation	6	211,952	125,158	499,535	103,843	896,027
Income tax	7(a)	(48,862)	(122,404)	(207,093)	(98,755)	(151,506)
Profit for the year/period		<u>163,090</u>	<u>2,754</u>	<u>292,442</u>	<u>5,088</u>	<u>744,521</u>
Attributable to:						
Equity shareholders of the Company		163,137	2,587	291,636	4,269	742,824
Non-controlling interests		(47)	167	806	819	1,697
Profit for the year/period		<u>163,090</u>	<u>2,754</u>	<u>292,442</u>	<u>5,088</u>	<u>744,521</u>
Earnings per share (RMB)						
Basic (RMB)	11(a)	<u>0.47</u>	<u>0.01</u>	<u>1.50</u>	<u>0.01</u>	<u>1.64</u>
Diluted (RMB)	11(b)	<u>0.45</u>	<u>0.01</u>	<u>1.50</u>	<u>0.01</u>	<u>1.64</u>

The accompanying notes form part of the Historical Financial Information.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

(Expressed in RMB)

	<i>Note</i>	Year ended December 31,			Five months ended May 31,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>		
Profit for the year/period		163,090	2,754	292,442	5,088	744,521
Other comprehensive income for the year/period (after tax)						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of subsidiaries outside of the PRC	<i>10</i>	3,506	(4,638)	(10,169)	(4,260)	7,889
Total comprehensive income for the year/period		<u>166,596</u>	<u>(1,884)</u>	<u>282,273</u>	<u>828</u>	<u>752,410</u>
Attributable to:						
Equity shareholders of the Company		166,619	(2,028)	281,495	—	750,683
Non-controlling interests		<u>(23)</u>	<u>144</u>	<u>778</u>	<u>828</u>	<u>1,727</u>
Total comprehensive income for the year/period		<u>166,596</u>	<u>(1,884)</u>	<u>282,273</u>	<u>828</u>	<u>752,410</u>

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at December 31,			As at
		2019	2020	2021	May 31,
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
Non-current assets					
Property, plant and equipment	12	63,140	76,865	81,275	82,005
Right-of-use assets	13	15,895	19,501	58,698	62,420
Intangible assets		207	107	33	30
Other non-current assets		457	1,183	808	2,007
Deferred tax assets	24(b)	3,182	5,881	7,444	19,181
		<u>82,881</u>	<u>103,537</u>	<u>148,258</u>	<u>165,643</u>
Current assets					
Inventories	16	72,286	99,287	224,602	325,097
Trade and other receivables	17	1,383,942	2,929,103	5,133,722	7,006,969
Financial assets measured at fair value through profit or loss	15	260,551	162,729	10,000	—
Cash and cash equivalents	18	175,944	376,153	239,534	68,977
		<u>1,892,723</u>	<u>3,567,272</u>	<u>5,607,858</u>	<u>7,401,043</u>
Current liabilities					
Trade and other payables	19	87,870	151,638	325,411	608,575
Bank loans and other borrowings	20	1,000	67,002	874,650	1,576,218
Lease liabilities	21	4,098	6,539	19,252	19,336
Financial instruments issued to investors	22	1,827,004	3,327,908	—	—
Taxation payable	24(a)	48,956	69,646	92,131	161,503
		<u>1,968,928</u>	<u>3,622,733</u>	<u>1,311,444</u>	<u>2,365,632</u>
Net current (liabilities)/assets		<u>(76,205)</u>	<u>(55,461)</u>	<u>4,296,414</u>	<u>5,035,411</u>
Total assets less current liabilities		<u>6,676</u>	<u>48,076</u>	<u>4,444,672</u>	<u>5,201,054</u>
Non-current liabilities					
Bank loans and other borrowings	20	—	40,074	—	—
Lease liabilities	21	3,839	5,314	34,634	38,561
Other non-current liabilities		623	330	375	420
		<u>4,462</u>	<u>45,718</u>	<u>35,009</u>	<u>38,981</u>
NET ASSETS		<u>2,214</u>	<u>2,358</u>	<u>4,409,663</u>	<u>5,162,073</u>
CAPITAL AND RESERVES					
Share capital	25(b)	131,630	453,074	453,074	453,074
Reserves	25(c)	(131,630)	(453,074)	3,953,479	4,704,162
Total equity attributable to equity shareholders of the Company		<u>—</u>	<u>—</u>	<u>4,406,553</u>	<u>5,157,236</u>
Non-controlling interests		<u>2,214</u>	<u>2,358</u>	<u>3,110</u>	<u>4,837</u>
TOTAL EQUITY		<u>2,214</u>	<u>2,358</u>	<u>4,409,663</u>	<u>5,162,073</u>

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at December 31,			As at May 31,
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	12	18,857	20,713	26,797	24,713
Right-of-use assets	13	9,176	11,573	52,929	54,770
Intangible assets		185	93	—	—
Investments in subsidiaries	14	66,005	66,005	67,169	67,169
Other non-current assets		108	540	15	—
Deferred tax assets		3,179	5,549	6,094	17,015
		<u>97,510</u>	<u>104,473</u>	<u>153,004</u>	<u>163,667</u>
Current assets					
Inventories	16	63,110	72,354	154,523	246,290
Trade and other receivables	17	1,274,716	2,816,843	5,004,209	6,857,730
Amounts due from subsidiaries	27(d)	120,170	152,174	14,294	19,823
Financial assets measured at fair value through profit or loss	15	260,551	160,729	10,000	—
Cash and cash equivalents	18	152,027	311,637	215,689	62,476
		<u>1,870,574</u>	<u>3,513,737</u>	<u>5,398,715</u>	<u>7,186,319</u>
Current liabilities					
Trade and other payables	19	69,997	98,013	214,560	440,303
Amounts due to subsidiaries	27(d)	19,039	12,942	120,240	207,194
Bank loans and other borrowings	20	1,000	67,002	778,318	1,576,218
Lease liabilities	21	3,089	4,527	17,771	18,514
Financial instruments issued to investors	22	1,827,004	3,327,908	—	—
Taxation payable		44,802	63,801	80,378	121,579
		<u>1,964,931</u>	<u>3,574,193</u>	<u>1,211,267</u>	<u>2,363,808</u>
Net current (liabilities)/assets		<u>(94,357)</u>	<u>(60,456)</u>	<u>4,187,448</u>	<u>4,822,511</u>
Total assets less current liabilities		<u>3,153</u>	<u>44,017</u>	<u>4,340,452</u>	<u>4,986,178</u>
Non-current liabilities					
Bank loans and other borrowings	20	—	40,074	—	—
Lease liabilities	21	2,753	3,943	33,732	36,291
Other non-current liabilities		400	—	—	—
		<u>3,153</u>	<u>44,017</u>	<u>33,732</u>	<u>36,291</u>
NET ASSETS		<u>—</u>	<u>—</u>	<u>4,306,720</u>	<u>4,949,887</u>
CAPITAL AND RESERVES					
Share capital	25(b)	131,630	453,074	453,074	453,074
Reserves	25(c)	(131,630)	(453,074)	3,853,646	4,496,813
TOTAL EQUITY		<u>—</u>	<u>—</u>	<u>4,306,720</u>	<u>4,949,887</u>

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company										
		Share capital	Capital reserves	Other reserves	PRC			Exchange reserves	Retained earnings	Total	Non-controlling interests	Total equity
					RMB'000	RMB'000	RMB'000					
Balance at January 1, 2019		108,934	587,656	(595,804)	26,436	438	216,239	343,899	2,088	345,987		
Changes in equity for 2019:												
Profit for the year		—	—	—	—	—	163,137	163,137	(47)	163,090		
Other comprehensive income	10	—	—	—	—	3,482	—	3,482	24	3,506		
Total comprehensive income		—	—	—	—	3,482	163,137	166,619	(23)	166,596		
Issuance of ordinary shares		—	—	—	—	—	—	—	154	154		
Issuance of financial instruments to investors	25(b)	22,696	611,904	—	—	—	—	634,600	—	634,600		
Recognition of financial liabilities recognized for preferential rights issued to investors	22	—	—	(1,150,978)	—	—	—	(1,150,978)	—	(1,150,978)		
Equity-settled share-based payment	23	—	5,855	—	—	—	—	5,855	—	5,855		
Appropriation to statutory reserves		—	—	—	17,084	—	(17,084)	—	—	—		
Others		—	5	—	—	—	—	5	(5)	—		
Balance at December 31, 2019		131,630	1,205,420	(1,746,782)	43,520	3,920	362,292	—	2,214	2,214		

The accompanying notes form part of the Historical Financial Information.

	Attributable to equity shareholders of the Company									
	Share capital	Capital reserves	Other reserves	PRC		Exchange reserves	Retained earnings	Total	Non-controlling interests	Total equity
				statutory reserves	Other reserves					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	131,630	1,205,420	(1,746,782)	43,520	3,920	362,292	—	2,214	2,214	
Balance at January 1, 2020										
Changes in equity for 2020:										
Profit for the year	—	—	—	—	—	2,587	2,587	167	2,754	
Other comprehensive income	—	—	—	—	(4,615)	—	(4,615)	(23)	(4,638)	
Total comprehensive income	—	—	—	—	(4,615)	2,587	(2,028)	144	(1,884)	
Issuance of financial instruments to investors	19,395	821,909	—	—	—	—	841,304	—	841,304	
Recognition of financial liabilities recognized for preferential rights issued to investors	—	—	(841,304)	—	—	—	(841,304)	—	(841,304)	
Conversion of capital reserves into share capital	302,049	(302,049)	—	—	—	—	—	—	—	
Equity-settled share-based payment	—	2,028	—	—	—	—	2,028	—	2,028	
Appropriation to statutory reserves	—	—	—	46,663	—	(46,663)	—	—	—	
Balance at December 31, 2020	453,074	1,727,308	(2,588,086)	90,183	(695)	318,216	—	2,358	2,358	

The accompanying notes form part of the Historical Financial Information.

	Attributable to equity shareholders of the Company									
	Share capital	Capital reserves	Other reserves	PRC		Exchange reserves	Retained earnings	Total	Non-controlling interests	Total equity
				statutory reserves	Other reserves					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<i>Note</i>										
Balance at January 1, 2021	453,074	1,727,308	(2,588,086)	90,183	(695)	318,216	—	2,358	2,358	
Changes in equity for 2021:										
Profit for the year	—	—	—	—	—	291,636	291,636	806	292,442	
Other comprehensive income	—	—	—	—	(10,141)	—	(10,141)	(28)	(10,169)	
Total comprehensive income	—	—	—	—	(10,141)	291,636	281,495	778	282,273	
Reclassification of financial liabilities recognized for preferential rights issued to investors to equity	—	—	2,588,086	—	—	1,536,972	4,125,058	—	4,125,058	
Appropriation to statutory reserves	—	—	—	21,706	—	(21,706)	—	—	—	
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	(26)	(26)	
Balance at December 31, 2021	453,074	1,727,308	—	111,889	(10,836)	2,125,118	4,406,553	3,110	4,409,663	

The accompanying notes form part of the Historical Financial Information.

	Attributable to equity shareholders of the Company									
	Share capital	Capital reserves	Other reserves	PRC		Exchange reserves	Retained earnings	Total	Non-controlling interests	Total equity
				statutory reserves	Other reserves					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2022	453,074	1,727,308	—	111,889	(10,836)	2,125,118	4,406,553	3,110	4,409,663	
Changes in equity for the period:										
Profit for the period	—	—	—	—	—	742,824	742,824	1,697	744,521	
Other comprehensive income	—	—	—	—	7,859	—	7,859	30	7,889	
Total comprehensive income	—	—	—	—	7,859	742,824	750,683	1,727	752,410	
Balance at May 31, 2022	453,074	1,727,308	—	111,889	(2,977)	2,867,942	5,157,236	4,837	5,162,073	
(Unaudited)										
Balance at January 1, 2021	453,074	1,727,308	(2,588,086)	90,183	(695)	318,216	—	2,358	2,358	
Changes in equity for the period:										
Profit for the period	—	—	—	—	—	4,269	4,269	819	5,088	
Other comprehensive income	—	—	—	—	(4,269)	—	(4,269)	9	(4,260)	
Total comprehensive income	—	—	—	—	(4,269)	4,269	—	828	828	
Balance at May 31, 2021	453,074	1,727,308	(2,588,086)	90,183	(4,964)	322,485	—	3,186	3,186	

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

	Note	Year ended December 31,			Five months ended May 31,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Operating activities						
Cash used in operations	18(b)	(419,283)	(699,699)	(796,070)	(920,371)	(707,967)
Corporate Income Tax paid	24(a)					
— The PRC		(30,038)	(96,794)	(175,139)	(65,995)	(82,740)
— Overseas		(448)	(7,874)	(10,412)	(5,578)	(11,131)
Net cash used in operating activities		(449,769)	(804,367)	(981,621)	(991,944)	(801,838)
Investing activities						
Payment for the purchase of property, plant and equipment		(30,478)	(28,359)	(25,225)	(9,287)	(5,481)
Payment for the purchase of intangible assets		—	—	(41)	—	—
Cash receipts from disposal of property, plant and equipment		2	5	5	—	487
Cash receipts from redemption of financial assets measured at fair value through profit or loss	26(e)	1,383,388	3,967,185	1,507,193	891,625	30,055
Payment for investment in financial assets measured at fair value through profit or loss	26(e)	(1,512,253)	(3,865,452)	(1,353,000)	(728,000)	(20,000)
Loans repaid by related parties	27(c)	2,066	—	—	—	—
Net cash (used in)/generated from investing activities		(157,275)	73,379	128,932	154,338	5,061

The accompanying notes form part of the Historical Financial Information.

	Note	Year ended December 31,			Five months ended May 31,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Financing activities						
Capital contributions from non-controlling interests		154	—	—	—	—
Proceeds from financial instruments issued to investors	18(c)	634,600	841,304	—	—	—
Proceeds from bank loans and other borrowings	18(c)	78,592	268,223	1,500,857	746,874	1,289,163
Repayments of bank loans and other borrowings	18(c)	(90,717)	(161,930)	(726,778)	(76,619)	(633,244)
Dividends paid to non-controlling shareholders	18(c)	—	—	(26)	—	—
Interest paid	18(c)	(2,158)	(5,325)	(25,924)	(7,665)	(14,513)
Capital element of lease rentals paid		(8,805)	(8,947)	(19,423)	(7,038)	(13,179)
Interest element of lease rentals paid	18(c)	(244)	(473)	(2,130)	(431)	(956)
Payment for listing expenses		—	—	(5,691)	—	(2,015)
Net cash generated from financing activities		611,422	932,852	720,885	655,121	625,256
Net increase/(decrease) in cash and cash equivalent		4,378	201,864	(131,804)	(182,485)	(171,521)
Cash and cash equivalent at January 1		168,898	175,944	376,153	376,153	239,534
Impact of exchange rate changes on cash and cash equivalents		2,668	(1,655)	(4,815)	888	964
Cash and cash equivalent at December 31/May 31		175,944	376,153	239,534	194,556	68,977

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB, unless otherwise stated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

(a) General information

重慶洪九果品股份有限公司 (Chongqing Hongjiu Fruit Co., Limited, the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on October 12, 2002 as a limited liability company under the Companies Law of the PRC. The Company was transferred to a company limited by shares on April 26, 2013.

The Company and its subsidiaries (together as the “Group”) are principally engaged in the purchasing, importing, sorting, packaging and wholesale of fruits in the PRC.

(b) Subsidiaries

As at May 31, 2022, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company Name	Date and place of incorporation/ establishment/ kind of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interests		Principal activities
			Held by the Company	Held by a subsidiary	
Chongqing Xinhongjiu Supply Chain Management Co., Ltd. (重慶新洪九供應鏈管理有限公司) (note (i)(ii))	December 25, 2015/ The PRC/Limited company	RMB10,000,000	100.00%	—	Supply and sale for online e-commerce and community group purchase
Chongqing Runjiu Supply Chain Management Co., Ltd. (重慶潤九供應鏈管理有限公司) (note (i)(ii))	February 24, 2014/ The PRC/Limited company	RMB5,000,000	65.00%	—	Customs declaration and inspection declaration agent; logistics transportation
Niran International Trading Company Limited (天長地久國際貿易有限公司) (note (iii))	May 18, 2017/ Thailand/Limited company	Thailand Baht 139,152,800	99.24%	—	Procurement, pre-processing and export of fruits in Thailand
Green Fruit Holdings Company Limited (綠色食品控股有限公司) (note (iii)(vi))	April 3, 2018/ Thailand/Limited company	Thailand Baht 5,000,000	—	49.00%	Factory rental
Yuelaimei Import & Export Co., Ltd. (越來美進出口有限責任公司) (note (iv))	May 19, 2017/ Vietnam/Limited company	Vietnamese Dong 82,685,000,000	100.00%	—	Procurement, pre-processing and export of fruits in Vietnam

Company Name	Date and place of incorporation/ establishment/ kind of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interests		Principal activities
			Held by the Company	Held by a subsidiary	
Hongjiu Fruta Import & Export SpA (洪九果品进出口股份有限公司) (note (ii))	August 9, 2017/ Republic of Chile/ Limited company	USD50,000	100.00%	—	Procurement, pre-processing and export of fruits in Chile
Hong Nine Philippine Fruit Inc. (洪九菲律賓果品公司) (note (v))	November 4, 2020/ Republic of the Philippines/ Limited company	Philippines Peso 6,250,000	99.50%	—	Procurement, pre-processing and export of fruits in Philippines

Notes:

- (i) The official names of these entities are in Chinese. The English translation of the names is for reference only. These companies were limited liability companies under the law of the PRC.
- (ii) These entities were not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporations.
- (iii) The entities prepared the statutory financial statements for the year ended December 31, 2019, 2020 and 2021 in accordance with Thai Financial Reporting Standard for Non-Publicly Accountable Entities (“TFRS for NPAEs”). The financial statements for the years ended December 31, 2019 were audited by Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd. and the financial statements for the years ended December 31, 2020 and 2021 were audited by KPMG Phoomchai Audit Ltd.
- (iv) The entity prepared the statutory financial statements for the years ended December 31, 2019, 2020 and 2021 in accordance with Vietnamese Accounting Standards. The financial statements for the year ended December 31, 2019 were audited by Deloitte Vietnam Co., Ltd., the financial statements for the year ended December 31, 2020 were audited by PwC (Vietnam) Limited and the financial statements for the year ended December 31, 2021 were audited by KPMG Limited’s Branch in Ho Chi Minh City.
- (v) The entity prepared the statutory financial statements for the period from November 4, 2020 (date of incorporation) to December 31, 2020 and the year ended December 31, 2021 in accordance with the Philippine Financial Reporting Standards. The financial statements for the period from November 4, 2020 (date of incorporation) to December 31, 2020 and the year ended December 31, 2021 were audited by Entia Accounting Firm.
- (vi) Niran International has had majority voting power over Green Fruit since its establishment pursuant to its articles of association and therefore, the Directors are of the view that the Group controlled Green Fruit and it is appropriate to determine Green Fruit as one of its subsidiaries.

All companies comprising the Group have adopted December 31 as their financial year end date.

(c) Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”). Further details of the significant accounting policies adopted are set out in note 2.

The IASB has issued certain new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently adopted all applicable new and revised IFRSs throughout the Relevant Periods. The Group has not adopted any new standards or interpretations that are not yet effective during the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2023 and not yet adopted by the Group are set out in note 29.

The Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement and functional currency

Item included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except for earnings per share information.

RMB, Thailand Baht and Vietnamese Dong are the functional currencies for the Company and Company's subsidiaries established in Mainland China, Thailand and Vietnam respectively.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that other financial assets are stated at fair value as explained in note 2(d).

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Consolidation

(i) Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amounts of the net assets acquired and the consideration paid for the combination is adjusted to equity. Any costs directly attributable to the combination are recognized in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss as an allocation of the total profit or loss and total comprehensive income for the Relevant Periods between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with note 2(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii)), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

(d) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(t)(iii)).
- fair value through other comprehensive income (“FVOCI”) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value through profit or loss if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income.

Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in note 2(t)(v).

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(ii).

Transfers to investment properties shall be made when there is a change in use, evidenced by end of owner-occupation, for a transfer from owner-occupied property to investment property. Since the Group uses the cost model, transfers between investment properties and owner-occupied properties do not change the carrying amount of the property transferred and they do not change the cost of that properties for measurement or disclosure purposes.

Depreciation is calculated to write off the cost of investment property, less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

Estimated useful life

Buildings 20 years

Investment property is presented in “property, plant and equipment” in the consolidated statement of financial position.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amounts of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Buildings	20 — 40 years
— Freehold land	indefinite
— Machinery	5 — 10 years
— Equipment and furniture	3 — 5 years
— Vehicles	5 — 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less impairment losses (see note 2(i)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation policies specified above.

No depreciation is provided in respect of construction in progress.

(g) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses (see note 2(i)(ii)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

— Software	5 years
------------	---------

Both the period and method of amortization are reviewed annually.

(h) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with note 2(t)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(h)(i), then the Group classifies the sub-lease as an operating lease.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and loans to related parties).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instruments has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with note 2(t)(iii) is calculated based on the gross carrying amounts of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amounts less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amounts of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- right-of-use assets; and

- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amounts of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amounts of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amounts of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amounts of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amounts that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business.

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of inventories are assigned by using specific identification of their individual costs and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(k) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(t)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)).

(l) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognized at fair value. Trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Financial instruments issued to investors

The Company entered into a series of investment agreements with certain independent investors, pursuant to which, these investors agreed to make cash investments to the Company to acquire the shares of the Company (collectively referred as "Pre-IPO Investments").

The Company recognized the financial instruments Issued to Investors as financial liabilities, because these financial instruments did not meet the definition of equity for the Company. The financial liabilities are measured at an amount expected to be paid to the investors upon liquidation which is assumed to be at the dates of issuance and at the end of each reporting period. Any changes in the carrying amount of the financial liabilities resulting from the revision of estimated contractual cash flows were recognized in profit or loss as "changes in the carrying amount of liabilities recognized for preferential rights issued to investors".

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see note 2(w)).

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contribution to local defined retirement plans are recognized as an expense in profit or loss as incurred.

(ii) Share-based payments

The fair value of share-based payment awards granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value of the shares granted to employees was determined with reference to the latest transaction price.

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amounts of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(s) Provisions

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of fruits or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer or the lessee has the right to use the assets, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, 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 with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of fruits

The Group is engaged in the purchasing, importing, sorting, packaging, wholesale and retail of fruits. Revenue from sales of fruits is recorded net of discounts and recognized when the fruits are delivered and accepted.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discount estimated future cash receipts through expected life of the financial assets to the gross carrying amount of the financial asset. For financial assets measured at amortized cost are not credit-impaired, the effective interest rate is applied to the gross carrying amounts of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amounts net of loss allowance) of the asset (see note 2(i)(i)).

(iv) Government grants

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and subsequently recognized in profit or loss over the useful life of the assets.

(v) Dividend

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

(u) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(v) Research and development expenses

Research and development expenses comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development.

(w) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(x) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

- (iii) Both entities 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).
- (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 Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 26 contains information about the assumption and their risk factors relating to financial instruments. Other key sources of significant estimation uncertainty are as follows:

(a) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing of trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation among historical observed default rates 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 customer's actual default in the future.

(b) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are purchasing, sorting, packaging and wholesale of fruits in the PRC.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers is as follows:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Revenue from contracts with customers within the scope of IFRS 15					
Sales of fruits	2,077,697	5,771,391	10,280,074	4,575,651	5,725,114

All of the Group's revenue are recognized at a point in time.

The Group's customer base is diversified. During the years ended December 31, 2019, 2020 and 2021 and for the five months ended May 31, 2021 (unaudited) and May 31, 2022, the Group did not have any customer with which transaction has exceeded 10% of the Group's total revenue.

The Group applies the practical expedient in paragraph 121 of IFRS 15 of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts of the Group are within one year or less.

(b) Segment reporting

(i) *Segment information*

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment.

Accordingly, no reportable segment information is presented.

(ii) *Geographical information*

The geographical location of customers is based on the location at which the fruits delivered. The revenue of the Group is almost all derived from customers in the PRC during the Relevant Periods.

The following table sets out information about the geographical location of the Group's non-current assets other than deferred tax assets. The geographical location of the non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and right-of-use assets, and the location of the operation to which they are allocated, in case of intangible assets and other non-current assets.

Non-current assets

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
The PRC (place of domicile)	32,208	38,261	76,066	79,560
Thailand	33,040	35,419	39,894	39,164
Vietnam	14,451	23,976	24,854	27,738
	<u>79,699</u>	<u>97,656</u>	<u>140,814</u>	<u>146,462</u>

5 OTHER NET INCOME

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Interest income from bank deposits	714	1,247	1,876	758	390
Government grants (i)	14,870	44,124	83,179	24,743	51,336
Net exchange gains/(losses)	633	3,798	(2,561)	209	(36,983)
Changes in fair value of financial assets measured at FVPL	1,686	3,911	1,464	896	55
Others	1,024	897	4,036	2,135	7,198
	<u>18,927</u>	<u>53,977</u>	<u>87,994</u>	<u>28,741</u>	<u>21,996</u>

- (i) During the years ended December 31, 2019, 2020 and 2021 and for the five months ended May 31, 2021 (unaudited) and May 31, 2022, the Group recorded unconditional government grants of RMB14,870 thousand, RMB44,124 thousand, RMB83,179 thousand, RMB24,743 thousand and RMB51,336 thousand respectively, as rewards of the Group's contribution to regional economic development.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Interest expenses on bank loans and other borrowings (note 18(c))	2,158	5,108	27,004	8,710	21,427
Interest expenses on lease liabilities (note 18(c))	244	473	2,130	432	956
	<u>2,402</u>	<u>5,581</u>	<u>29,134</u>	<u>9,142</u>	<u>22,383</u>

(b) Staff costs

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Salaries, wages, bonuses and other benefits	57,038	103,912	182,583	56,310	82,312
Contributions to defined contribution retirement plans . .	2,579	2,261	12,674	4,085	6,572
Equity-settled share-based payment	5,855	2,028	—	—	—
	65,472	108,201	195,257	60,395	88,884

Staff costs includes remuneration of directors, supervisors and senior management (note 8 and note 27(a)).

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Amortization					
— intangible assets	100	98	112	39	4
Depreciation					
— property, plant and equipment (note 12).	4,485	8,743	13,049	4,835	5,493
— right-of-use assets (note 13) . .	3,784	9,080	22,399	5,317	13,321
	8,269	17,823	35,448	10,152	18,814
Provision for impairment losses on trade receivables (note 26(a))	5,445	9,147	25,542	7,855	65,941
Provision for/(reversal of) impairment losses on other receivables	907	2,932	(761)	(1,935)	(50)
	6,352	12,079	24,781	5,920	65,891
Auditors' remuneration					
— audit services	1,912	2,897	283	149	684
Listing expenses	—	—	17,067	—	7,015
Cost of inventories (note (i)) . . .	1,684,757	4,814,219	8,666,973	3,838,850	4,601,736

(i) Cost of inventories recognized as expenses includes provision for write-down of inventories.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Current tax					
Provision for the year/period					
— The PRC Corporate					
Income Tax	45,360	115,793	191,720	89,493	124,269
— Overseas Income Tax	4,132	9,310	16,936	11,292	38,974
	49,492	125,103	208,656	100,785	163,243
Deferred tax					
Origination and reversal of temporary differences (note 24)	(630)	(2,699)	(1,563)	(2,030)	(11,737)
Total	48,862	122,404	207,093	98,755	151,506

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Note	Year ended December 31,			Five months ended May 31,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>		
Profit before taxation		211,952	125,158	499,535	103,843	896,027
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (i)		53,063	29,424	120,897	25,853	222,488
Effect of preferential income tax rates		(22,059)	(16,305)	(46,151)	(10,022)	(82,241)
Tax effect of non-deductible expenses		14,441	105,513	123,173	80,607	1,708
Tax effect of utilization of tax losses not recognized in prior years		(940)	(1,358)	(2,968)	(2,671)	(4,675)
Tax effect of unused tax losses not recognized		3,766	3,238	6,904	549	4,507
Tax effect of other deductible temporary differences not recognized		267	1,886	5,238	4,439	9,719
Others		324	6	—	—	—
Actual tax expense		48,862	122,404	207,093	98,755	151,506

- (i) The Company and its branches were incorporated in the PRC. Under the relevant PRC corporate income tax law and respective regulations, the Company and its branches within the Group are subject to corporate income tax at the statutory rate of 25% for the Relevant Periods unless otherwise specified below.

Pursuant to Caishui [2011] No. 58 Notice on Issues Concerning Relevant Tax Policies to In-depth Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關稅收政策問題的通知) and Announcement [2020] No. 23 Announcement on the Continuation of the Enterprise Income Tax Policy for the Western Development Strategy (關於延續西部大開發企業所得稅政策的公告), the Company and certain branches of the Company fall within the state encouraged industries in the specified western regions and are entitled to enjoy the preferential income tax rate of 15% from January 1, 2011 to December 31, 2030.

- (ii) Taxation for other major overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries and the applicable statutory income tax rates were listed in table below.

	As at December 31,			As at
	2019	2020	2021	May 31,
				2022
Thailand	20%	20%	20%	20%
Vietnam	20%	20%	20%	20%

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended December 31, 2019				
	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Sub-total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Deng Hongjiu (鄧洪九)	605	500	8	5,855	6,968
Executive Directors					
Ms. Jiang Zongying (江宗英)	245	100	7	—	352
Mr. Peng He (彭何)	377	150	7	—	534
Ms. Tan Bo (譚波)	257	100	7	—	364
Ms. Luo Xiaoqin (羅曉芹)	114	20	7	—	141
Mr. Yang Junwen (楊俊文) (appointed on October 8, 2019)	258	100	7	—	365
Mr. Chen Xian (陳弦) (appointed on October 8, 2019)	—	—	—	—	—
Mr. Yuan Zhibin (袁志斌) (appointed on October 8, 2019)	—	—	—	—	—
Mr. Liu Yu (劉渝) (appointed on July 31, 2019 and resigned on October 8, 2019)	184	—	7	—	191
Non-executive Director					
Mr. Dong Jiaxun (董佳訊) (appointed on July 31, 2019)	—	—	—	—	—
Supervisors					
Ms. Yu Lixia (余利霞)	114	30	8	—	152
Mr. Huang Hua (黃華)	111	20	6	—	137
Mr. Deng Yinmei (鄧銀美)	106	10	7	—	123
Mr. Chen Xiangzeng (陳向曾) (appointed on July 16, 2019)	101	20	7	—	128
Mr. He Ning (何寧) (appointed on July 31, 2019 and resigned on December 2, 2019)	—	—	—	—	—
Mr. Fan Ling (范凌) (appointed on December 2, 2019)	—	—	—	—	—
	2,472	1,050	78	5,855	9,455

Year ended December 31, 2020

	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Sub-total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Deng Hongjiu (鄧洪九)	606	250	1	2,028	2,885
Executive Directors					
Ms. Jiang Zongying (江宗英)	245	180	1	—	426
Mr. Peng He (彭何)	379	180	1	—	560
Ms. Tan Bo (譚波)	265	120	1	—	386
Ms. Luo Xiaoqin (羅曉芹) (resigned on July 13, 2020)	129	—	1	—	130
Mr. Yang Junwen (楊俊文)	265	120	1	—	386
Mr. Chen Xian (陳弦) (resigned on July 13, 2020)	—	—	—	—	—
Mr. Yuan Zhibin (袁志斌) (resigned on September 18, 2020)	—	—	—	—	—
Non-executive Directors					
Mr. Dong Jiaxun (董佳訊)	—	—	—	—	—
Mr. Xia Bei (夏蓓) (appointed on July 13, 2020)	—	—	—	—	—
Ms. Sheng Cong (盛聰) (appointed on September 18, 2020)	—	—	—	—	—
Independent non-executive Directors					
Mr. Zhou Quyi (周渠毅) (appointed on July 13, 2020)	50	—	—	—	50
Ms. Fan Weihong (范偉紅) (appointed on July 13, 2020)	50	—	—	—	50
Ms. Liu Xiuqin (劉秀琴) (appointed on July 13, 2020)	50	—	—	—	50
Mr. An Rui (安銳) (appointed on July 13, 2020)	50	—	—	—	50
Supervisors					
Ms. Yu Lixia (余利霞)	114	100	1	—	215
Mr. Huang Hua (黃華)	125	100	—	—	225
Mr. Deng Yinmei (鄧銀美)	114	100	1	—	215
Mr. Chen Xiangzeng (陳向曾)	125	100	1	—	226
Mr. Fan Ling (范凌) (resigned on December 15, 2020)	—	—	—	—	—
Mr. Wu Di (吳迪) (appointed on December 15, 2020)	—	—	—	—	—
	2,567	1,250	9	2,028	5,854

Year ended December 31, 2021

	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Sub-total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Deng Hongjiu (鄧洪九) . . .	607	350	7	—	964
Executive Directors					
Ms. Jiang Zongying (江宗英) . . .	246	200	7	—	453
Mr. Peng He (彭何)	380	200	7	—	587
Ms. Tan Bo (譚波)	261	150	7	—	418
Mr. Yang Junwen (楊俊文) . . .	261	150	7	—	418
Non-executive Directors					
Mr. Dong Jiaxun (董佳訊)	—	—	—	—	—
Mr. Xia Bei (夏蓓)	—	—	—	—	—
Ms. Sheng Cong (盛聰) (resigned on September 6, 2021)	—	—	—	—	—
Mr. Chen Tongtong (陳彤彤) (appointed on September 6, 2021)	—	—	—	—	—
Independent non-executive Directors					
Mr. Zhou Quyi (周渠毅) (resigned on September 6, 2021)	67	—	—	—	67
Mr. Liu Anzhou (劉安洲) (appointed on September 6, 2021)	33	—	—	—	33
Ms. Fan Weihong (范偉紅) . . .	100	—	—	—	100
Ms. Liu Xiuqin (劉秀琴)	100	—	—	—	100
Mr. An Rui (安銳)	100	—	—	—	100
Supervisors					
Ms. Yu Lixia (余利霞)	119	120	7	—	246
Mr. Huang Hua (黃華)	130	120	7	—	257
Mr. Deng Yinmei (鄧銀美)	159	120	7	—	286
Mr. Chen Xiangzeng (陳向曾) . . .	131	120	7	—	258
Mr. Wu Di (吳迪)	—	—	—	—	—
	<u>2,694</u>	<u>1,530</u>	<u>63</u>	<u>—</u>	<u>4,287</u>

Five months ended May 31, 2022

	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Sub-total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Deng Hongjiu (鄧洪九) . . .	253	146	3	—	402
Executive Directors					
Ms. Jiang Zongying (江宗英) . . .	103	83	3	—	189
Mr. Peng He (彭何)	159	83	3	—	245
Ms. Tan Bo (譚波)	114	63	3	—	180
Mr. Yang Junwen (楊俊文) . . .	114	63	3	—	180
Non-executive Directors					
Mr. Dong Jiaxun (董佳訊) . . .	—	—	—	—	—
Mr. Xia Bei (夏蓓)	—	—	—	—	—
Mr. Chen Tongtong(陳彤彤) . . .	—	—	—	—	—
Independent non-executive Directors					
Mr. Liu Anzhou (劉安洲)	42	—	—	—	42
Ms. Fan Weihong (范偉紅) . . .	42	—	—	—	42
Ms. Liu Xiuqin (劉秀琴)	42	—	—	—	42
Mr. An Rui (安銳)	42	—	—	—	42
Supervisors					
Ms. Yu Lixia (余利霞)	52	50	3	—	105
Mr. Huang Hua (黃華)	57	50	3	—	110
Mr. Deng Yinmei (鄧銀美) . . .	77	50	3	—	130
Mr. Chen Xiangzeng (陳向曾) . .	57	50	3	—	110
Mr. Wu Di (吳迪)	—	—	—	—	—
	1,154	638	27	—	1,819

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the Relevant Periods, calculated as follows.

- (i) Profit attributable to ordinary equity shareholder of the Company used in basic earnings per share calculation:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Profit for the years/periods attributable to all equity shareholders of the Company	163,137	2,587	291,636	4,269	742,824
Allocation of profit for the years/periods to financial instruments issued to investors with redemption option <i>(note 22)</i>	(26,170)	(2,142)	(4,382)	(3,606)	—
Profit for the years/periods attributable to equity shareholders of the Company for the purpose of basic earnings per share	<u>136,967</u>	<u>445</u>	<u>287,254</u>	<u>663</u>	<u>742,824</u>

- (ii) Weighted average number of ordinary shares:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
				<i>(unaudited)</i>	
Issued ordinary shares at January 1	108,933,571	131,629,892	453,073,902	453,073,902	453,073,902
Effect of conversion of capital reserves into share capital <i>(note 25)</i>	193,793,458	48,477,596	—	—	—
Effect of capital contributions by investors	6,477,188	8,978,986	—	—	—
Effect of financial instruments issued to investors with redemption option <i>(note 22)</i>	(18,514,030)	(116,370,080)	(261,028,815)	(382,632,600)	—
Weighted average number of ordinary shares at December 31/May 31	<u>290,690,187</u>	<u>72,716,394</u>	<u>192,045,087</u>	<u>70,441,302</u>	<u>453,073,902</u>

In accordance with the accounting policy set out in note 2(o), the Company recognized the financial instruments issued to investors as financial liabilities measured at an amount expected to be paid to the investors upon liquidation which is assumed to be at the dates of issuance and at the end of each reporting period. Any changes in the carrying amount of the financial liabilities resulting from the revision of estimated contractual cash flows were recognized in profit or loss as “changes in the carrying amount of liabilities recognized for preferential rights issued to investors”.

In 2020, the profit for the years attributable to all equity shareholders of the Company decreased significantly primarily due to the changes in the carrying amount of liabilities recognized for preferential rights issued to investors, which resulted in the basic earnings per share being close to zero.

On September 6, 2021, the preferential rights were waived by the investors so the Company reclassified the financial liabilities recognized for the preferential rights into equity and no further changes in the carrying amount of liabilities recognized for preferential rights issued to investors would be recognized in profit or loss from that date. The impact has not been fully reflected in the basic earnings per share for the year ended December 31, 2021.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company and the weighted average number of ordinary shares. The profit attributable to ordinary equity shareholder of the Company used in diluted earnings per share calculation were determined to be the same as those used in basic earnings per share calculation for the Relevant Periods. The weighted average number of ordinary shares (diluted), after adjusting for the conversion of capital reserves into share capital (note 25(b)), is calculated as follows:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
				<i>(unaudited)</i>	
Weighted average number of ordinary shares at December 31/May 31	290,690,187	72,716,394	192,045,087	70,441,302	453,073,902
Effect of contingently issuable shares after adjusting for the conversion of capital reserves into share capital	10,374,054	—	—	—	—
Weighted average number of ordinary shares at December 31/May 31	<u>301,064,241</u>	<u>72,716,394</u>	<u>192,045,087</u>	<u>70,441,302</u>	<u>453,073,902</u>

Ordinary shares with redemption option (note 22) were not included in the calculation of diluted earnings per share because their effect would have been anti-dilutive.

12 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

The Group

	Investment property	Buildings	Freehold land	Machinery	Equipment, furniture and others	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At January 1, 2019	7,470	18,122	4,666	1,881	1,834	1,853	110	35,936
Purchases	—	4,996	—	8,951	3,235	3,451	11,732	32,365
Transfer from construction in progress	—	—	—	244	918	—	(1,162)	—
Transfer from buildings . . .	1,387	(1,387)	—	—	—	—	—	—
Exchange adjustments . . .	—	1,241	466	130	222	147	—	2,206
Disposals	—	—	—	—	(64)	(13)	—	(77)
At December 31, 2019 and January 1, 2020	8,857	22,972	5,132	11,206	6,145	5,438	10,680	70,430
Purchases	—	381	—	10,145	2,888	3,840	8,098	25,352
Transfer from construction in progress	—	14,316	—	105	52	—	(14,473)	—
Transfer from buildings . . .	3,222	(3,222)	—	—	—	—	—	—
Exchange adjustments . . .	—	(848)	(329)	(623)	(370)	(219)	(678)	(3,067)
Disposals	—	—	—	—	(57)	—	—	(57)
At December 31, 2020 and January 1, 2021	12,079	33,599	4,803	20,833	8,658	9,059	3,627	92,658
Purchases	—	4,435	—	6,163	4,071	1,968	8,588	25,225
Transfer from construction in progress	—	824	—	—	164	—	(988)	—
Exchange adjustments . . .	—	(1,610)	(588)	(2,692)	(1,236)	(640)	(829)	(7,595)
Disposals	—	(10)	—	(58)	(1,796)	(389)	—	(2,253)
At December 31, 2021 and January 1, 2022	12,079	37,238	4,215	24,246	9,861	9,998	10,398	108,035
Purchases	—	200	—	639	1,802	232	2,608	5,481
Transfer from construction in progress	—	304	—	—	—	—	(304)	—
Exchange adjustments . . .	—	612	91	219	258	126	260	1,566
Disposals	—	—	—	(428)	(165)	(63)	—	(656)
At May 31, 2022	12,079	38,354	4,306	24,676	11,756	10,293	12,962	114,426

	Investment property	Buildings	Freehold land	Machinery	Equipment, furniture and others	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation								
At January 1, 2019	(1,268)	(894)	—	(272)	(75)	(251)	—	(2,760)
Charge for the year	(347)	(1,156)	—	(1,273)	(921)	(788)	—	(4,485)
Transfer from buildings	(183)	183	—	—	—	—	—	—
Exchange adjustments	—	(2)	—	(27)	(1)	(17)	—	(47)
Disposals	—	—	—	—	1	1	—	2
At December 31, 2019 and January 1, 2020	(1,798)	(1,869)	—	(1,572)	(996)	(1,055)	—	(7,290)
Charge for the year	(312)	(3,106)	—	(2,632)	(1,435)	(1,258)	—	(8,743)
Transfer from buildings	(905)	905	—	—	—	—	—	—
Exchange adjustments	—	44	—	93	53	48	—	238
Disposals	—	—	—	—	2	—	—	2
At December 31, 2020 and January 1, 2021	(3,015)	(4,026)	—	(4,111)	(2,376)	(2,265)	—	(15,793)
Charge for the year	(588)	(5,179)	—	(3,100)	(2,436)	(1,746)	—	(13,049)
Exchange adjustments	—	134	—	776	184	237	—	1,331
Disposals	—	10	—	16	651	74	—	751
At December 31, 2021 and January 1, 2022	(3,603)	(9,061)	—	(6,419)	(3,977)	(3,700)	—	(26,760)
Charge for the period	(244)	(1,571)	—	(1,512)	(1,421)	(745)	—	(5,493)
Exchange adjustments	—	(104)	—	(116)	(77)	(56)	—	(353)
Disposals	—	—	—	66	68	51	—	185
At May 31, 2022	(3,847)	(10,736)	—	(7,981)	(5,407)	(4,450)	—	(32,421)
Net book value:								
At May 31, 2022	8,232	27,618	4,306	16,695	6,349	5,843	12,962	82,005
At December 31, 2021	8,476	28,177	4,215	17,827	5,884	6,298	10,398	81,275
At December 31, 2020	9,064	29,573	4,803	16,722	6,282	6,794	3,627	76,865
At December 31, 2019	7,059	21,103	5,132	9,634	5,149	4,383	10,680	63,140

The Company

	Investment property	Buildings	Machinery	Equipment, furniture and others	Vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2019	7,470	6,087	130	191	172	14,050
Purchases	—	4,996	1,125	670	1,594	8,385
Transfer from buildings	1,387	(1,387)	—	—	—	—
Disposals	—	—	—	—	(13)	(13)

	Investment property	Buildings	Machinery	Equipment, furniture and others	Vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2019 and January 1, 2020	8,857	9,696	1,255	861	1,753	22,422
Purchases	—	377	1,526	1,545	1,924	5,372
Transfer from buildings	3,222	(3,222)	—	—	—	—
At December 31, 2020 and January 1, 2021	12,079	6,851	2,781	2,406	3,677	27,794
Purchases	—	2,372	6,064	3,075	1,264	12,775
Disposals	—	—	(44)	(125)	—	(169)
At December 31, 2021 and January 1, 2022	12,079	9,223	8,801	5,356	4,941	40,400
Purchases	—	158	638	411	82	1,289
Disposals	—	—	(428)	(21)	(6)	(455)
At May 31, 2022	12,079	9,381	9,011	5,746	5,017	41,234
Accumulated depreciation						
At January 1, 2019	(1,268)	(869)	(30)	(64)	(42)	(2,273)
Charge for the year	(347)	(494)	(108)	(114)	(229)	(1,292)
Transfer from buildings	(183)	183	—	—	—	—
At December 31, 2019 and January 1, 2020	(1,798)	(1,180)	(138)	(178)	(271)	(3,565)
Charge for the year	(312)	(2,092)	(314)	(373)	(425)	(3,516)
Transfer from buildings	(905)	905	—	—	—	—
At December 31, 2020 and January 1, 2021	(3,015)	(2,367)	(452)	(551)	(696)	(7,081)
Charge for the year	(588)	(2,961)	(1,117)	(1,215)	(778)	(6,659)
Disposals	—	—	16	121	—	137
At December 31, 2021 and January 1, 2022	(3,603)	(5,328)	(1,553)	(1,645)	(1,474)	(13,603)
Charge for the period	(244)	(911)	(774)	(694)	(379)	(3,002)
Disposals	—	—	64	18	2	84
At May 31, 2022	(3,847)	(6,239)	(2,263)	(2,321)	(1,851)	(16,521)
Net book value:						
At May 31, 2022	8,232	3,142	6,748	3,425	3,166	24,713
At December 31, 2021	8,476	3,895	7,248	3,711	3,467	26,797
At December 31, 2020	9,064	4,484	2,329	1,855	2,981	20,713
At December 31, 2019	7,059	8,516	1,117	683	1,482	18,857

- (i) As at December 31, 2020, 2021 and May 31, 2022, the Group was applying for the certificates of ownership for certain buildings located in Vietnam with carrying amount of RMB13,941 thousand, RMB13,505 thousand and RMB13,649 thousand, respectively.
- (ii) The fair value of investment properties valued by an independent third party valuer are RMB9,843 thousand, RMB14,107 thousand, RMB14,199 thousand and RMB16,261 thousand as at December 31, 2019, 2020 and 2021 and May 31, 2022, respectively.

The Group's investment properties are located in the PRC. The fair value measurement of the Group's investment properties is categorized into Level 3 of fair value measurement. The fair value was determined based on the market approach.

The Group leases out investment properties under operating lease. The leases run for initial period of 1 or 5 years.

13 RIGHT-OF-USE ASSETS

- (a) The reconciliation of the carrying amounts of right-of-use assets by class of underlying asset is as follows:

The Group

	Properties leased for own use carried at cost	Land use rights	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1, 2019	5,190	3,022	8,212
Additions	12,625	—	12,625
Exchange adjustments	—	(3)	(3)
At December 31, 2019 and January 1, 2020	17,815	3,019	20,834
Additions	12,863	—	12,863
Exchange adjustments	—	(191)	(191)
Disposals	(433)	—	(433)
At December 31, 2020 and January 1, 2021	30,245	2,828	33,073
Additions	62,438	—	62,438
Exchange adjustments	(982)	(205)	(1,187)
Disposals	(5,185)	—	(5,185)
At December 31, 2021 and January 1, 2022	86,516	2,623	89,139
Additions	16,416	—	16,416
Exchange adjustments	834	70	904
Disposals	(11,672)	—	(11,672)
At May 31, 2022	92,094	2,693	94,787
Accumulated depreciation:			
At January 1, 2019	(1,048)	(107)	(1,155)
Charge for the year	(3,709)	(75)	(3,784)
At December 31, 2019 and January 1, 2020	(4,757)	(182)	(4,939)
Charge for the year	(9,009)	(71)	(9,080)
Exchange adjustments	—	14	14
Disposals	433	—	433
At December 31, 2020 and January 1, 2021	(13,333)	(239)	(13,572)
Charge for the year	(22,328)	(71)	(22,399)
Exchange adjustments	337	8	345
Disposals	5,185	—	5,185
At December 31, 2021 and January 1, 2022	(30,139)	(302)	(30,441)
Charge for the period	(13,293)	(28)	(13,321)
Exchange adjustments	(275)	(2)	(277)
Disposals	11,672	—	11,672
At May 31, 2022	(32,035)	(332)	(32,367)
Net book value:			
At May 31, 2022	60,059	2,361	62,420
At December 31, 2021	56,377	2,321	58,698
At December 31, 2020	16,912	2,589	19,501
At December 31, 2019	13,058	2,837	15,895

The Company

	Properties leased for own use carried at cost
	RMB'000
Cost:	
At January 1, 2019	4,984
Additions	8,088
At December 31, 2019 and January 1, 2020	13,072
Additions	8,767
Disposals	(225)
At December 31, 2020 and January 1, 2021	21,614
Additions	60,663
Disposals	(5,185)
At December 31, 2021 and January 1, 2022	77,092
Additions	13,918
Disposals	(11,672)
At May 31, 2022	79,338
Accumulated depreciation:	
At January 1, 2019	(945)
Charge for the year	(2,951)
At December 31, 2019 and January 1, 2020	(3,896)
Charge for the year	(6,370)
Disposals	225
At December 31, 2020 and January 1, 2021	(10,041)
Charge for the year	(19,307)
Disposals	5,185
At December 31, 2021 and January 1, 2022	(24,163)
Charge for the period	(12,077)
Disposals	11,672
At May 31, 2022	(24,568)
Net book value:	
At May 31, 2022	54,770
At December 31, 2021	52,929
At December 31, 2020	11,573
At December 31, 2019	9,176

(i) Properties leased for own use

The Group leases offices and warehouses under leases expiring from 1 to 15 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

(ii) Land use rights

Land use rights are located in Vietnam, and are held on medium-term leases of 40 years from the commencement of the lease period.

(iii) Rental deposits

The refundable rental deposit itself is not part of the lease payments and is in the scope of IFRS 9. Therefore, the rental deposit should be measured at fair value on initial recognition. The difference between the initial fair value and the nominal value of the deposit is an additional lease payment made by the Group and it is included in the measurement of the right-of-use assets.

(b) The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Depreciation charge of right-of-use assets by class of underlying asset:					
Properties leased for own use, carried at cost	3,709	9,009	22,328	5,289	13,042
Land use rights, carried at depreciated cost	75	71	71	28	279
	<u>3,784</u>	<u>9,080</u>	<u>22,399</u>	<u>5,317</u>	<u>13,321</u>
Interest on lease liabilities <i>(note 6(a))</i>	244	473	2,130	432	956
Expense relating to short-term leases	3,587	6,083	17,735	3,865	3,920

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, additions to right-of-use assets were RMB12,625 thousand, RMB12,863 thousand, RMB62,438 thousand and RMB16,416 thousand respectively. These amounts included the capitalized lease payments payable and initial direct costs in connection with leases under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(d) and 26(b), respectively.

14 INVESTMENTS IN SUBSIDIARIES**The Company**

The carrying amounts of investments in subsidiaries of the Company is listed below:

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
Investments in subsidiaries	<u>66,005</u>	<u>66,005</u>	<u>67,169</u>	<u>67,169</u>

15 FINANCIAL ASSETS MEASURED AT FVPL

The Group

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Current assets				
Financial assets measured at FVPL				
— Investment in wealth management products . . .	260,551	162,729	10,000	—

The Company

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Current assets				
Financial assets measured at FVPL				
— Investment in wealth management products . . .	260,551	160,729	10,000	—

The current balances of financial assets measured at FVPL mainly represent wealth management products issued by various banks in the PRC with a floating return which will be paid together with the principal on the maturity date.

The analysis on the fair value measurement of the above financial assets is disclosed in note 26(e).

16 INVENTORIES

The Group

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Fruits	68,408	92,561	223,757	316,117
Packing materials and low-value consumables . . .	4,083	7,041	4,569	13,544
	72,491	99,602	228,326	329,661
Less: write-down of inventories	(205)	(315)	(3,724)	(4,564)
	72,286	99,287	224,602	325,097

The Company

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Fruits	63,315	72,669	158,247	250,854
Less: Write-down of inventories	(205)	(315)	(3,724)	(4,564)
	63,110	72,354	154,523	246,290

(a) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Carrying amount of inventories sold	1,684,552	4,813,904	8,663,249	3,838,597	4,597,172
Write-down of inventories	205	315	3,724	253	4,564
	<u>1,684,757</u>	<u>4,814,219</u>	<u>8,666,973</u>	<u>3,838,850</u>	<u>4,601,736</u>

17 TRADE AND OTHER RECEIVABLES

The Group

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
Trade receivables				
— third parties	729,417	2,024,455	3,750,055	5,971,980
— related parties	—	16,375	12,732	57,015
Less: losses allowance (note 26(a))	(21,289)	(30,403)	(55,509)	(121,222)
Trade receivables, net	<u>708,128</u>	<u>2,010,427</u>	<u>3,707,278</u>	<u>5,907,773</u>
Other receivables				
— third parties	10,676	21,319	25,216	34,643
— related parties	—	74	1,445	1,320
Less: losses allowance	(2,225)	(5,157)	(4,396)	(4,346)
Other receivables, net	<u>8,451</u>	<u>16,236</u>	<u>22,265</u>	<u>31,617</u>
Value Added Tax ("VAT") recoverable	10,665	21,967	43,972	36,864
Taxation recoverable (note 24(a))	365	620	—	—
Prepayments	<u>656,333</u>	<u>879,853</u>	<u>1,360,207</u>	<u>1,030,715</u>
	<u>1,383,942</u>	<u>2,929,103</u>	<u>5,133,722</u>	<u>7,006,969</u>

The Company

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
Trade receivables				
— third parties	728,879	2,021,445	3,749,002	5,971,585
— related parties	—	16,375	12,732	57,015
Less: losses allowance (note 26(a))	(21,262)	(30,242)	(55,505)	(121,151)
Trade receivables, net	<u>707,617</u>	<u>2,007,578</u>	<u>3,706,229</u>	<u>5,907,449</u>
Other receivables				
— third parties	7,489	15,686	21,926	26,234
— related parties	—	74	1,445	1,320
Less: losses allowance	(2,017)	(3,129)	(4,292)	(4,252)
Other receivables, net	<u>5,472</u>	<u>12,631</u>	<u>19,079</u>	<u>23,302</u>
VAT recoverable	1,865	12	—	1,634
Taxation recoverable	365	620	—	—
Prepayments	<u>559,397</u>	<u>796,002</u>	<u>1,278,901</u>	<u>925,345</u>
	<u>1,274,716</u>	<u>2,816,843</u>	<u>5,004,209</u>	<u>6,857,730</u>

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

As at the end of the reporting period, prepayments mainly represent amounts prepaid to suppliers to purchase fruits.

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

The Group

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months (inclusive)	631,464	1,788,172	3,418,078	5,122,594
6 to 12 months (inclusive)	76,664	222,255	289,200	785,179
	<u>708,128</u>	<u>2,010,427</u>	<u>3,707,278</u>	<u>5,907,773</u>

The Company

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months (inclusive)	630,953	1,785,323	3,417,029	5,122,323
6 to 12 months (inclusive)	76,664	222,255	289,200	785,126
	<u>707,617</u>	<u>2,007,578</u>	<u>3,706,229</u>	<u>5,907,449</u>

Trade receivables are due within 90 to 180 days from the date of invoice. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 26(a).

Trade receivables of RMB6,299 thousand, RMB16,527 thousand, RMB104,657 thousand and RMB50,455 thousand were pledged for bank loans as at December 31, 2019, 2020 and 2021 and May 31, 2022 (note 20).

Trade receivables of RMB71,429 thousand were pledged for other borrowings as at December 31, 2020 (note 20).

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents in the consolidated statements of financial position	<u>175,944</u>	<u>376,153</u>	<u>239,534</u>	<u>68,977</u>

The Company

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Cash and cash equivalents in the statements of financial position	152,027	311,637	215,689	62,476

As at December 31, 2019, 2020 and 2021 and May 31, 2022, cash and cash equivalents placed with banks in Mainland China amounted to RMB152,446 thousand, RMB313,969 thousand, RMB216,384 thousand and RMB64,219 thousand respectively. Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Reconciliation of profit before taxation to cash used in operations:

	Note	Year ended December 31,			Five months ended	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>		
Profit before taxation		211,952	125,158	499,535	103,843	896,027
Adjustments for:						
Depreciation of property, plant and equipment	6(c)	4,485	8,743	13,049	4,835	5,493
Disposal loss/(gain) on property, plant and equipment		—	—	1,497	—	(16)
Amortization of intangible assets	6(c)	100	98	112	39	4
Depreciation of right-of-use assets	6(c)	3,784	9,080	22,399	5,317	13,321
Impairment losses on trade receivables and other receivables	6(c)	6,352	12,079	24,781	5,920	65,891
Finance costs	6(a)	2,402	5,581	29,134	9,142	22,383
Net exchange (gains)/losses	5	(633)	(3,798)	2,561	(209)	36,983
Changes in the carrying amount of financial instruments issued to investors		65,172	659,600	797,150	528,267	—
Changes in fair value of financial assets measured at FVPL	5	(1,686)	(3,911)	(1,464)	(896)	(55)
Changes in working capital:						
Increase in inventories		(56,664)	(27,001)	(125,315)	(306,830)	(100,495)
Increase in trade and other receivables		(643,164)	(1,549,096)	(2,233,282)	(1,555,658)	(1,930,667)
(Decrease)/increase in trade and other payables		(11,383)	63,768	173,773	285,859	283,164
Cash used in operations		(419,283)	(699,699)	(796,070)	(920,371)	(707,967)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Note	Bank loans	Lease	Financial	Total
		and other	liabilities	instruments	
		borrowings		issued to	
		RMB'000	RMB'000	RMB'000	RMB'000
		(note 20)	(note 21)	(note 22)	
At January 1, 2019		13,125	4,117	610,854	628,096
Changes from financing cash flows:					
Proceeds from new bank loans and other borrowings		78,592	—	—	78,592
Repayments of bank loans and other borrowings		(90,717)	—	—	(90,717)
Capital element of lease rentals paid		—	(8,805)	—	(8,805)
Interest element of lease rentals paid		—	(244)	—	(244)
Proceeds from financial instruments issued to investors		—	—	634,600	634,600
Interest paid		(2,158)	—	—	(2,158)
Total changes from financing cash flows		(14,283)	(9,049)	634,600	611,268
Other changes:					
Increase in lease liabilities from entering into new leases during the year		—	12,625	—	12,625
Changes in the carrying amount of financial liabilities recognized for preferential rights issued to investors	22	—	—	581,550	581,550
Interest expenses	6(a)	2,158	244	—	2,402
Total other changes		2,158	12,869	581,550	596,577
At December 31, 2019		1,000	7,937	1,827,004	1,835,941

	Note	Bank loans	Lease	Financial	Total
		and other	liabilities	instruments	
		borrowings		issued to	
		RMB'000	RMB'000	RMB'000	RMB'000
		(note 20)	(note 21)	(note 22)	
At January 1, 2020		1,000	7,937	1,827,004	1,835,941
Changes from financing cash flows:					
Proceeds from new bank loans and other borrowings		268,223	—	—	268,223
Repayments of bank loans and other borrowings		(161,930)	—	—	(161,930)
Capital element of lease rentals paid		—	(8,947)	—	(8,947)
Interest element of lease rentals paid		—	(473)	—	(473)
Proceeds from financial instruments issued to investors		—	—	841,304	841,304
Interest paid		(5,325)	—	—	(5,325)
Total changes from financing cash flows		100,968	(9,420)	841,304	932,852
Other changes:					
Increase in lease liabilities from entering into new leases during the year		—	12,863	—	12,863
Changes in the carrying amount of financial liabilities recognized for preferential rights issued to investors	22	—	—	659,600	659,600
Interest expenses	6(a)	5,108	473	—	5,581
Total other changes		5,108	13,336	659,600	678,044
At December 31, 2020		107,076	11,853	3,327,908	3,446,837

	Note	Bank loans	Lease	Financial	Total
		and other	liabilities	instruments	
		borrowings		issued to	
		RMB'000	RMB'000	RMB'000	RMB'000
		(note 20)	(note 21)	(note 22)	
At January 1, 2021		107,076	11,853	3,327,908	3,446,837
Changes from financing cash flows:					
Proceeds from new bank loans and other borrowings		1,500,857	—	—	1,500,857
Repayments of bank loans and other borrowings		(726,778)	—	—	(726,778)
Capital element of lease rentals paid		—	(19,423)	—	(19,423)
Interest element of lease rentals paid		—	(2,130)	—	(2,130)
Interest paid		(25,924)	—	—	(25,924)
Total changes from financing cash flows		748,155	(21,553)	—	726,602
Exchange adjustments		(7,585)	(982)	—	(8,567)
Other changes:					
Increase in lease liabilities from entering into new leases during the year		—	62,438	—	62,438
Changes in the carrying amount of financial liabilities recognized for preferential rights issued to investors	22	—	—	797,150	797,150
Reclassification of financial liabilities recognized for preferential rights issued to investors to equity	22	—	—	(4,125,058)	(4,125,058)
Interest expenses	6(a)	27,004	2,130	—	29,134
Total other changes		27,004	64,568	(3,327,908)	(3,236,336)
At December 31, 2021		874,650	53,886	—	928,536

<i>Notes</i>	Bank loans and other borrowings	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
	(note 20)	(note 21)	
At January 1, 2022	874,650	53,886	928,536
Changes from financing cash flows:			
Proceeds from new bank loans and other borrowings	1,289,163	—	1,289,163
Repayments of bank loans and other borrowings	(633,244)	—	(633,244)
Capital element of lease rentals paid	—	(13,179)	(13,179)
Interest element of lease rentals paid	—	(956)	(956)
Interest paid	(14,513)	—	(14,513)
Total changes from financing cash flows	641,406	(14,135)	627,271
Exchange adjustments	38,735	774	39,509
Other changes:			
Increase in lease liabilities from entering into new leases during the period	—	16,416	16,416
Interest expenses	21,427	956	22,383
Total other changes	21,427	17,372	38,799
At May 31, 2022	1,576,218	57,897	1,634,115

(Unaudited)	Note	Bank loans and other borrowings	Lease liabilities	Financial instruments issued to investors	Total
		RMB'000	RMB'000	RMB'000	RMB'000
		(note 20)	(note 21)	(note 22)	
At January 1, 2021		107,076	11,853	3,327,908	3,446,837
Changes from financing cash flows:					
Proceeds from new bank loans and other borrowings		746,874	—	—	746,874
Repayments of bank loans and other borrowings		(76,619)	—	—	(76,619)
Capital element of lease rentals paid		—	(7,038)	—	(7,038)
Interest element of lease rentals paid		—	(431)	—	(431)
Interest paid		(7,665)	—	—	(7,665)
Total changes from financing cash flows		662,590	(7,469)	—	655,121
Exchange adjustments		6,173	(751)	—	5,422
Other changes:					
Increase in lease liabilities from entering into new leases during the period		—	25,003	—	25,003
Changes in the carrying amount of financial liabilities recognized for preferential rights issued to investors	22	—	—	528,267	528,267
Interest expenses	6(a)	8,710	432	—	9,142
Total other changes		8,710	25,435	528,267	562,412
At May 31, 2021		784,549	29,068	3,856,175	4,669,792

(d) Total cash outflows for leases

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Within operating cash flows	3,587	6,083	17,735	3,865	3,920
Within financing cash flows	9,049	9,420	21,553	7,469	14,135
	12,636	15,503	39,288	11,334	18,055

19 TRADE AND OTHER PAYABLES**The Group**

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	57,629	110,181	260,761	519,740
Accrued payroll and benefits	12,192	23,782	41,523	28,913
VAT and other tax payables	8,343	12,406	8,959	37,089
Other payables	9,706	5,269	14,168	22,833
	87,870	151,638	325,411	608,575

The Company

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	41,069	59,195	155,706	354,711
Accrued payroll and benefits	11,274	21,417	38,014	26,974
VAT and other tax payables	8,206	12,406	8,047	36,660
Other payables	9,448	4,995	12,793	21,958
	69,997	98,013	214,560	440,303

All of the trade and other payables are expected to be settled or recognized as income within one year or are repayable on demand.

As at the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

The Group

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	54,671	108,367	251,899	508,239
1 to 2 years	2,958	357	7,109	9,738
Over 2 years	—	1,457	1,753	1,763
	<u>57,629</u>	<u>110,181</u>	<u>260,761</u>	<u>519,740</u>

The Company

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	38,111	57,381	146,845	343,210
1 to 2 years	2,958	357	7,108	9,738
Over 2 years	—	1,457	1,753	1,763
	<u>41,069</u>	<u>59,195</u>	<u>155,706</u>	<u>354,711</u>

20 BANK LOANS AND OTHER BORROWINGS

At the end of the reporting period, the bank loans and other borrowings were secured as follows:

The Group

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank loans				
— Secured and guaranteed bank loans (i)	1,000	1,957	147,142	86,689
— Guaranteed bank loans (ii)	—	40,045	532,473	342,359
— Unsecured bank loans	—	—	195,035	1,147,170
Other borrowings				
— Secured and guaranteed borrowings (iii)	—	25,000	—	—
	<u>1,000</u>	<u>67,002</u>	<u>874,650</u>	<u>1,576,218</u>
Non-current				
Bank loans				
— Guaranteed bank loans (ii)	—	40,074	—	—
	<u>—</u>	<u>40,074</u>	<u>—</u>	<u>—</u>

The Company

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Current				
Bank loans				
— Secured and guaranteed bank loans (i)	1,000	1,957	147,142	86,689
— Guaranteed bank loans (ii)	—	40,045	436,141	342,359
— Unsecured bank loans	—	—	195,035	1,147,170
Other borrowings				
— Secured and guaranteed borrowings (iii)	—	25,000	—	—
	<u>1,000</u>	<u>67,002</u>	<u>778,318</u>	<u>1,576,218</u>
Non-current				
Bank loans				
— Guaranteed bank loans (ii)	—	40,074	—	—
	<u>—</u>	<u>40,074</u>	<u>—</u>	<u>—</u>

(i) Secured and guaranteed bank loans

As at December 31, 2019, the secured and guaranteed bank loans of RMB1,000 thousand with interest rate at 7.00% per annum were secured by trade receivables of RMB6,299 thousand and were guaranteed by Mr. Deng Hongjiu and Ms. Jiang Zongying.

As at December 31, 2020, the secured and guaranteed bank loans of RMB1,957 thousand with interest rate at 3.10% per annum were secured by trade receivables of RMB16,527 thousand and were guaranteed by Mr. Deng Hongjiu, Ms. Jiang Zongying and Chongqing Xinhongjiu Supply Chain Management Co., Ltd.

As at December 31, 2021, the secured and guaranteed bank loans of RMB63,938 thousand with interest rate at 2.85% per annum were secured by trade receivables of RMB97,867 thousand and were guaranteed by Mr. Deng Hongjiu and Ms. Jiang Zongying. The secured and guaranteed bank loans of RMB83,204 thousand with interest rate at 3.10% per annum were secured by trade receivables of RMB6,790 thousand and were guaranteed by Mr. Deng Hongjiu, Ms. Jiang Zongying and Chongqing Xinhongjiu Supply Chain Management Co., Ltd.

As at May 31, 2022, the secured and guaranteed bank loans of RMB66,650 thousand with interest rate at 2.85% per annum and the bank loans of RMB20,039 thousand with interest rate at 2.90% per annum were secured by trade receivables of RMB50,455 thousand and were guaranteed by Chongqing Xinhongjiu Supply Chain Management Co., Ltd..

(ii) Guaranteed bank loans

As at December 31, 2020, the guaranteed bank loans of RMB80,119 thousand with interest rate ranged from 3.50%-4.90% per annum were guaranteed by Mr. Deng Hongjiu, Ms. Jiang Zongying.

As at December 31, 2021, the guaranteed bank loans of RMB100,138 thousand with interest rate at 4.50% per annum were guaranteed by Mr. Deng Hongjiu. The guaranteed bank loans of RMB96,332 thousand with interest rate at 3.10% per annum were guaranteed by Mr. Deng Hongjiu and the Company. The guaranteed bank loans of RMB336,003 thousand with interest rate ranged from 3.00%-4.90% per annum were guaranteed by Mr. Deng Hongjiu and Ms. Jiang Zongying.

As at May 31, 2022, the guaranteed bank loans of RMB100,138 thousand with interest rate at 4.50% per annum were guaranteed by Mr. Deng Hongjiu. The guaranteed bank loans of RMB242,221 thousand with interest rate ranged from 0.64%-4.50% per annum were guaranteed by Mr. Deng Hongjiu and Ms. Jiang Zongying.

(iii) Secured and guaranteed borrowings

As at December 31, 2020, secured and guaranteed borrowings of RMB25,000 thousand from certain third party financial institutions carried interest at 9.5% per annum and were secured by trade receivables of RMB71,429 thousand and were guaranteed by Mr. Deng Hongjiu and Ms. Jiang Zongying.

(iv) All above-mentioned guarantees by related parties will be released before Listing.

(v) Bank loans and other borrowings at the end of the reporting period were repayable as follows:

The Group

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Bank loans				
— Within 1 year or on demand	1,000	42,002	874,650	1,576,218
— After 1 year but within 2 years	—	40,074	—	—
Other borrowings				
— Within 1 year or on demand	—	25,000	—	—
	<u>1,000</u>	<u>107,076</u>	<u>874,650</u>	<u>1,576,218</u>

The Company

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Bank loans				
— Within 1 year or on demand	1,000	42,002	778,318	1,576,218
— After 1 year but within 2 years	—	40,074	—	—
Other borrowings				
— Within 1 year or on demand	—	25,000	—	—
	<u>1,000</u>	<u>107,076</u>	<u>778,318</u>	<u>1,576,218</u>

21 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period:

The Group

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	4,098	6,539	19,252	19,336
After 1 year but within 2 years	3,038	3,885	13,776	14,895
After 2 years but within 5 years	596	1,362	13,507	18,846
After 5 years	205	67	7,351	4,820
	<u>7,937</u>	<u>11,853</u>	<u>53,886</u>	<u>57,897</u>

The Company

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	3,089	4,527	17,771	18,514
After 1 year but within 2 years	1,950	2,542	13,062	12,716
After 2 years but within 5 years	598	1,335	13,417	18,755
After 5 years	205	66	7,253	4,820
	<u>5,842</u>	<u>8,470</u>	<u>51,503</u>	<u>54,805</u>

22 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

During the Relevant Periods, the Company entered into several investment agreement with certain investors, pursuant to which the Company issued its shares with preferential rights to these investors as follows:

In 2019, the Company entered into investment agreements with certain investors, pursuant to which, these investors agreed to invest RMB634,600 thousand in the Company in exchange of 22,696,321 Class B shares of the Company.

In 2020, the Company entered into investment agreements with certain investors, pursuant to which, these investors agreed to invest RMB841,304 thousand in the Company in exchange of 19,394,742 Class B shares of the Company.

The shares issued to these Pre-IPO investors are identical as the shares held by the other shareholders of the Company, except for Mr. Deng Hongjiu's voting rights as mentioned in note 25(b). However, different preferential rights were issued by the Company to these Pre-IPO investors in addition to the shares, and the key features of the preferential rights include:

Investors' redemption option

Shares issued by the Company in the Pre-IPO investments can be redeemable by the Company and the founding shareholders of the Company upon the occurrence of certain events, including: (i) a qualified IPO does not occur before specified dates; (ii) any breach of contractual terms or misconducts by the Company or the founding shareholders of the Company; (iii) failure to provide the audited accounts to the shareholders; (iv) failure to meet the performance targets; and (v) change of the main business of the Company unless agreed with the shareholders in written.

The redemption price of the shares shall equal to the higher amount of (i) the aggregate of the original issue price plus an amount accruing annually at 8% or 10% of the original issue price per annum minus all paid dividends; or (ii) a pro-rata share of the Company's net assets at the date of the redemption.

Investors' liquidation right

Some of the investors have a right to liquidate the Company upon certain events: (i) change to the Company's beneficial controlling shareholder due to the business combination or acquisition; (ii) disposal of a majority of the Company's assets; and (iii) failure to fulfill the guarantee to the investors or any breach of the terms of the investment agreements resulting significant loss to the investors.

Presentation and classification

The Company recognized the shares issued to the investors in share capital and capital reserve. For the preferential rights issued to the investors together with the shares, although the Company is only obliged to pay to the investors upon occurrence the specified triggering events, as not all of such triggering events are within the control of the Company, the Company recognized the financial liabilities for its redemption obligations upon such events according to the redemption prices or the liquidation amounts.

The movements of financial instruments issued to investors during the Relevant Periods are set out below:

The Group

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
At beginning of the year/period	610,854	1,827,004	3,327,908	—
Recognition	1,150,978	841,304	—	—
Changes in the carrying amount	65,172	659,600	797,150	—
Reclassification of financial liabilities recognized for preferential rights issued to investors to equity	—	—	(4,125,058)	—
At ending of the year/period	<u>1,827,004</u>	<u>3,327,908</u>	<u>—</u>	<u>—</u>

As at December 31, 2019 and 2020, financial liabilities of RMB1,827,004 thousand and RMB3,327,908 thousand respectively, were recognized for the Company's obligation under the preferential rights granted to some investors, to buy back its own shares upon occurrence of some specified events such as change of control. These contingent payment obligations upon occurrence of specified events as described in note 22 would be terminated upon an IPO automatically. On September 6, 2021, redemption option and liquidation right were waived by the investors so the Company reclassified all of the financial liabilities amounted to RMB4,125,058 thousand recognized for the preferential rights into equity.

23 SHARE-BASED PAYMENTS

For the years ended December 31, 2019 and 2020, certain employees who resigned from the Company disposed their shares in the Company to Mr. Deng Hongjiu at a pre-determined price. The fair value of shares acquired by Mr. Deng Hongjiu less the consideration paid to employees at the pre-determined price is recognized as staff costs with a corresponding increase in capital reserve within equity. The fair value of above-mentioned shares was determined with reference to the transaction price of the financial instruments issued to Pre-IPO investors, which was close to the time when those employees left the Company.

Share-based payment expenses of RMB5,855 thousand, RMB2,028 thousand, nil, nil and nil are recognized as staff costs in the consolidated statement of profit or loss for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 (unaudited) and 2022.

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	Year ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
PRC Corporate Income Tax				
At the beginning of the year/period	29,503	44,825	63,824	80,405
Provision for income tax for the year/period	45,360	115,793	191,720	124,269
Income tax paid	(30,038)	(96,794)	(175,139)	(82,740)
At the end of the year/period	<u>44,825</u>	<u>63,824</u>	<u>80,405</u>	<u>121,934</u>
Overseas Corporate Income Tax				
At the beginning of the year/period	82	3,766	5,202	11,726
Provision for income tax for the year/period	4,132	9,310	16,936	38,974
Income tax paid	(448)	(7,874)	(10,412)	(11,131)
At the end of the year/period	<u>3,766</u>	<u>5,202</u>	<u>11,726</u>	<u>39,569</u>
Reconciliation to the consolidated statements of financial position:				
Taxation payable	48,956	69,646	92,131	161,503
Taxation recoverable (<i>note 17</i>)	(365)	(620)	—	—
	<u>48,591</u>	<u>69,026</u>	<u>92,131</u>	<u>161,503</u>

(b) Deferred tax assets and liabilities recognized

The components of deferred tax assets/(liabilities) recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from	Loss allowance on trade and other receivables	Unrealized inter-group profit	Fair value change of financial assets measured at FVPL	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019	2,552	—	—	2,552
Credited/(charged) to profit or loss	712	—	(82)	630
At December 31, 2019 and January 1, 2020	3,264	—	(82)	3,182
Credited/(charged) to profit or loss	2,106	620	(27)	2,699
At December 31, 2020 and January 1, 2021	5,370	620	(109)	5,881
Credited to profit or loss	971	483	109	1,563
At December 31, 2021 and January 1, 2022	6,341	1,103	—	7,444
Credited to profit or loss	10,919	818	—	11,737
At May 31, 2022	17,260	1,921	—	19,181

(c) Deferred tax assets not recognized

In accordance with accounting policy set out in note 2(r), as at December 31, 2019, 2020 and 2021 and May 31, 2022, the Group has not recognized deferred tax assets for cumulative tax losses of RMB20,017 thousand, RMB27,211 thousand, RMB42,003 thousand and RMB27,499 thousand, respectively, as it is not probable that future taxable profits against which the losses can be utilized before expiries.

Pursuant to the relevant laws and regulations in the PRC, the unrecognized tax losses at the end of the Relevant Periods will expire in the following years:

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
2020	43	—	—	—
2021	—	—	—	—
2022	423	71	18	18
2023	4,337	2,718	813	366
2024	15,214	11,208	6,352	3,080
2025	—	13,214	7,202	6,372
2026	—	—	27,618	13,467
2027	—	—	—	4,196
	20,017	27,211	42,003	27,499

25 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the years are set out below.

	Note	Share	Capital	Other	PRC	Retained	Total
		capital	reserves	reserves	statutory	earnings	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019		108,934	587,032	(595,804)	26,436	220,744	347,342
Changes in equity for 2019:							
Total comprehensive income for the year		—	—	—	—	161,715	161,715
Issuance of financial instruments to investors	25(b)	22,696	611,904	—	—	—	634,600
Recognition of financial liabilities recognized for preferential rights issued to investors		—	—	(1,149,512)	—	—	(1,149,512)
Equity-settled share-based payment	23	—	5,855	—	—	—	5,855
Appropriation to statutory reserves	25(c)	—	—	—	17,084	(17,084)	—
At December 31, 2019 and January 1, 2020		131,630	1,204,791	(1,745,316)	43,520	365,375	—
Changes in equity for 2020:							
Total comprehensive income for the year		—	—	—	—	(2,028)	(2,028)
Issuance of financial instruments to investors	25(b)	19,395	821,909	—	—	—	841,304
Recognition of financial liabilities recognized for preferential rights issued to investors		—	—	(841,304)	—	—	(841,304)
Conversion of capital reserves into share capital		302,049	(302,049)	—	—	—	—
Equity-settled share-based payment	23	—	2,028	—	—	—	2,028
Appropriation to statutory reserves	25(c)	—	—	—	46,663	(46,663)	—
At December 31, 2020 and January 1, 2021		453,074	1,726,679	(2,586,620)	90,183	316,684	—
Changes in equity for 2021:							
Total comprehensive income for the year		—	—	—	—	217,060	217,060
Reclassification of financial liabilities recognized for preferential rights issued to investors to equity		—	—	2,586,620	—	1,503,040	4,089,660
Appropriation to statutory reserves	25(c)	—	—	—	21,706	(21,706)	—
At December 31, 2021 and January 1, 2022		453,074	1,726,679	—	111,889	2,015,078	4,306,720
Changes in equity for the period:							
Total comprehensive income for the period		—	—	—	—	643,167	643,167
At May 31, 2022		453,074	1,726,679	—	111,889	2,658,245	4,949,887
(Unaudited)							
At January 1, 2021		453,074	1,726,679	(2,586,620)	90,183	316,684	—
Changes in equity for the period:							
Total comprehensive income for the period		—	—	—	—	—	—
At May 31, 2021		453,074	1,726,679	(2,586,620)	90,183	316,684	—

(b) Share capital

As at December 31, 2019, 2020 and 2021 and May 31, 2022, the Company has 131,629,892, 453,073,902, 453,073,902 and 453,073,902 shares issued with par value of RMB1 for each share, respectively.

On December 15, 2020, all the 148,579,611 shares held by the controlling shareholder, Mr. Deng Hongjiu were classified to Class A ordinary shares while the remaining 304,494,291 of the shares were classified to Class B ordinary shares. Each Class A ordinary share will entitle the holder to exercise 5 votes, and each Class B ordinary share will entitle the holders to exercise one, on any resolution tabled at the Company's general meetings, except for resolutions with respect to certain reserved matters, in relation to which each ordinary share is entitled to one vote.

Pursuant to shareholders' resolution dated January 27, 2021, Mr. Deng Hongjiu transferred 22,653,695 shares to Ms. Jiang Zongying. After the share transfer, Class A ordinary shares changed to 125,925,916 shares and Class B ordinary shares changed to 327,147,986 shares.

In view of the listing plan on the Stock Exchange, the above-mentioned weighted voting rights structure was terminated pursuant to shareholders' resolution dated September 6, 2021.

	<i>Note</i>	Number of shares	RMB'000
Issued and fully paid:			
At January 1, 2019		108,933,571	108,934
Capital contributions by investors	<i>(i)</i>	22,696,321	22,696
At December 31, 2019 and January 1, 2020		131,629,892	131,630
Capital contributions by investors	<i>(ii)</i>	19,394,742	19,395
Conversion of capital reserves into share capital	<i>(ii)</i>	302,049,268	302,049
At December 31, 2020, December 31, 2021 and May 31, 2022 . .		453,073,902	453,074

- (i) In 2019, the Company entered into investment agreements with certain investors, pursuant to which, these investors agreed to invest RMB634,600 thousand in the Company in exchange of 22,696,321 Class B shares of the Company.
- (ii) In 2020, the Company entered into investment agreements with certain investors, pursuant to which, these investors agreed to invest RMB841,304 thousand in the Company in exchange of 19,394,742 Class B shares of the Company.

Pursuant to the shareholders' resolution passed by the general meeting of shareholders of the Company on December 15, 2020, the Company issued 2 shares for each share in issue by transferred capital reserves of RMB302,049 thousand to share capital.

(c) Nature and purpose of reserves**(i) Capital reserves**

The capital reserves comprise the following:

- the amount represents the difference between the consideration received and the par value of the issued shares of the Company;
- the amount related to merger reserves resulted from business combinations in 2017 involving entities under common control;
- the amount arises from share-based payment.

(ii) PRC statutory reserves

According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profit after taxation (after offsetting the losses in the previous years), as determined under the PRC Accounting Regulations, to the statutory reserves until the reserve balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserves fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings, provided that the balance after such issue is not less than 25% of the registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy as set out in note 2(u).

(iv) Other reserves

As set out in note 22, as the Company could not control all the triggering events of those key special rights attributable to the investors of the Pre-IPO investment, the Company reclassified all equity attributable to equity shareholders to liabilities. On September 6, 2021, the Company entered into a supplementary investment agreement with Pre-IPO investors, pursuant to which the investors agreed to waive the redemption option and liquidation right, the Company reclassified all liabilities to equity accordingly.

(d) Dividends

The directors of the Company did not propose the payment of any dividend during the Relevant Periods.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

The Group monitors its capital structure on the basis of an adjusted asset-to-liability ratio. For this purpose, adjusted net liabilities is defined as total liabilities (which includes bank loans and other borrowings and lease liabilities but exclude financial instruments issued to investors).

The Group adjusted asset-to-liability ratio as at December 31, 2019, 2020 and 2021 and May 31, 2022 is as follows:

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Current liabilities:				
Bank loans and other borrowings	1,000	67,002	874,650	1,576,218
Lease liabilities	4,098	6,539	19,252	19,336
Non-current liabilities:				
Bank loans and other borrowings	—	40,074	—	—
Lease liabilities	3,839	5,314	34,634	38,561
Adjusted liabilities	8,937	118,929	928,536	1,634,115
Total assets	1,975,604	3,670,809	5,756,116	7,566,686
Adjusted asset-to-liability ratio	0.5%	3.2%	16.1%	21.6%

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2019, 2020 and 2021 and May 31, 2022, 26.2%, 18.0%, 6.7% and 5.5% of the total trade receivables was due from the Group's five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix and based on past due status.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2019, 2020 and 2021 and May 31, 2022:

The Group

As at December 31, 2019			
	Expected loss rate	Gross carrying amount of trade receivables	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	1.0%	638,001	6,537
1 — 6 months past due	8.8%	84,072	7,408
more than 6 months past due	100.0%	7,344	7,344
		<u>729,417</u>	<u>21,289</u>
		<u>729,417</u>	<u>21,289</u>
As at December 31, 2020			
	Expected loss rate	Gross carrying amount of trade receivables	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	0.6%	1,798,995	10,823
1 — 6 months past due	5.4%	235,005	12,750
more than 6 months past due	100.0%	6,830	6,830
		<u>2,040,830</u>	<u>30,403</u>
		<u>2,040,830</u>	<u>30,403</u>
As at December 31, 2021			
	Expected loss rate	Gross carrying amount of trade receivables	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	0.5%	3,434,745	16,667
1 — 6 months past due	5.5%	305,993	16,793
more than 6 months past due	100.0%	22,049	22,049
		<u>3,762,787</u>	<u>55,509</u>
		<u>3,762,787</u>	<u>55,509</u>
As at May 31, 2022			
	Expected loss rate	Gross carrying amount of trade receivables	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	0.6%	4,709,251	26,025
1 — 6 months past due	3.5%	1,268,333	43,786
more than 6 months past due	100.0%	51,411	51,411
		<u>6,028,995</u>	<u>121,222</u>
		<u>6,028,995</u>	<u>121,222</u>

The Company

As at December 31, 2019			
	Expected loss rate	Gross carrying amount of trade receivables	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	1.0%	637,481	6,528
1 — 6 months past due	8.8%	84,054	7,390
more than 6 months past due	100.0%	7,344	7,344
		<u>728,879</u>	<u>21,262</u>

As at December 31, 2020			
	Expected loss rate	Gross carrying amount of trade receivables	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	0.6%	1,796,202	10,879
1 — 6 months past due	5.4%	235,005	12,750
more than 6 months past due	100.0%	6,613	6,613
		<u>2,037,820</u>	<u>30,242</u>

As at December 31, 2021			
	Expected loss rate	Gross carrying amount of trade receivables	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	0.5%	3,433,692	16,663
1 — 6 months past due	5.5%	305,993	16,793
more than 6 months past due	100.0%	22,049	22,049
		<u>3,761,734</u>	<u>55,505</u>

As at May 31, 2022			
	Expected loss rate	Gross carrying amount of trade receivables	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	0.6%	4,708,974	26,020
1 — 6 months past due	3.4%	1,268,215	43,720
more than 6 months past due	100.0%	51,411	51,411
		<u>6,028,600</u>	<u>121,151</u>

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

Movement in the loss allowance account in respect of trade receivables of the Group during the Relevant Periods is as follows:

	Year ended December 31,			Five months ended
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
At January 1	15,851	21,289	30,403	55,509
Impairment loss recognized	5,445	9,147	25,542	65,941
Amounts written-off	(7)	(33)	(436)	(228)
At December 31/May 31	21,289	30,403	55,509	121,222

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

The Group

	December 31, 2019					Carrying amounts at December 31, 2019
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings (note 20)	1,011	—	—	—	1,011	1,000
Trade and other payables (note 19)	87,870	—	—	—	87,870	87,870
Lease liabilities (note 21)	4,354	3,102	680	241	8,377	7,937
Financial instruments issued to investors (note 22)	1,827,004	—	—	—	1,827,004	1,827,004
	1,920,239	3,102	680	241	1,924,262	1,923,811

	December 31, 2020					Carrying amounts at December 31, 2020
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings (note 20)	70,214	41,692	—	—	111,906	107,076
Trade and other payables (note 19)	151,638	—	—	—	151,638	151,638
Lease liabilities (note 21)	6,863	4,102	1,429	80	12,474	11,853
Financial instruments issued to investors (note 22)	3,327,908	—	—	—	3,327,908	3,327,908
	3,556,623	45,794	1,429	80	3,603,926	3,598,475

	December 31, 2021					Carrying amounts at December 31, 2021
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans and other borrowings (note 20)	884,618	—	—	—	884,618	874,650
Trade and other payables (note 19)	325,411	—	—	—	325,411	325,411
Lease liabilities (note 21) . . .	21,141	15,011	15,185	8,176	59,513	53,886
	<u>1,231,170</u>	<u>15,011</u>	<u>15,185</u>	<u>8,176</u>	<u>1,269,542</u>	<u>1,253,947</u>

	May 31, 2022					Carrying amounts At May 31, 2022
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans and other borrowings (note 20)	1,589,147	—	—	—	1,589,147	1,576,218
Trade and other payables (note 19)	608,575	—	—	—	608,575	608,575
Lease liabilities (note 21) . . .	21,429	16,335	20,778	5,360	63,902	57,897
	<u>2,219,151</u>	<u>16,335</u>	<u>20,778</u>	<u>5,360</u>	<u>2,261,624</u>	<u>2,242,690</u>

The Company

	December 31, 2019					Carrying amounts at December 31, 2019
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans and other borrowings (note 20)	1,011	—	—	—	1,011	1,000
Trade and other payables (note 19)	69,997	—	—	—	69,997	69,997
Lease liabilities (note 21) . . .	3,273	2,022	644	241	6,180	5,842
Financial instruments issued to investors (note 22)	1,827,004	—	—	—	1,827,004	1,827,004
	<u>1,901,285</u>	<u>2,022</u>	<u>644</u>	<u>241</u>	<u>1,904,192</u>	<u>1,903,843</u>

	December 31, 2020					Carrying amounts at December 31, 2020 RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans and other borrowings (note 20)	70,214	41,692	—	—	111,906	107,076
Trade and other payables (note 19)	98,013	—	—	—	98,013	98,013
Lease liabilities (note 21) . . .	4,784	2,655	1,405	80	8,924	8,470
Financial instruments issued to investors (note 22)	3,327,908	—	—	—	3,327,908	3,327,908
	<u>3,500,919</u>	<u>44,347</u>	<u>1,405</u>	<u>80</u>	<u>3,546,751</u>	<u>3,541,467</u>

	December 31, 2021					Carrying amounts at December 31, 2021 RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans and other borrowings (note 20)	788,286	—	—	—	788,286	778,318
Trade and other payables (note 19)	214,560	—	—	—	214,560	214,560
Lease liabilities (note 21) . . .	19,615	14,277	15,082	8,073	57,047	51,503
	<u>1,022,461</u>	<u>14,277</u>	<u>15,082</u>	<u>8,073</u>	<u>1,059,893</u>	<u>1,044,381</u>

	May 31, 2022					Carrying amounts at May 31, 2022 RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Bank loans and other borrowings (note 20)	1,589,147	—	—	—	1,589,147	1,576,218
Trade and other payables (note 19)	440,303	—	—	—	440,303	440,303
Lease liabilities (note 21) . . .	20,575	14,136	20,673	5,360	60,744	54,805
	<u>2,050,025</u>	<u>14,136</u>	<u>20,673</u>	<u>5,360</u>	<u>2,090,194</u>	<u>2,071,326</u>

(c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as at December 31, 2019, 2020 and 2021 and May 31, 2022 are the cash at bank, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's majority interest-bearing financial instruments at fixed interest rates as at December 31, 2019, 2020 and 2021 and May 31, 2022 are fixed deposits, bank loans and other borrowing and lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose the Group to significant interest risk.

Overall speaking, the Group's exposure to interest rate risk is not significant.

(d) Currency risk

As at December 31, 2019 and 2020, the Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of the Company and its subsidiaries are not significant.

As at December 31, 2021 and May 31, 2022, the Group is exposed to currency risk primarily from bank loans and other borrowings that are denominated in United States dollars ("USD"). The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currencies. For presentation purposes, the amounts of the exposure are expressed in RMB, translated using the spot rate at the period end date.

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	USD	USD	USD	USD
Cash and cash equivalents	433	1,122	1,409	706
Bank loans and other borrowings	—	(1,957)	(483,756)	(882,263)
	<u>433</u>	<u>(835)</u>	<u>(482,347)</u>	<u>(881,557)</u>

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit before taxation and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at December 31,				As at May 31,			
	2019		2020		2021		2022	
	Increase/ (decrease) in foreign exchange rates	Effect on profit before taxation	Increase/ (decrease) in foreign exchange rates	Effect on profit before taxation	Increase/ (decrease) in foreign exchange rates	Effect on profit before taxation	Increase/ (decrease) in foreign exchange rates	Effect on profit before taxation
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Thailand Baht vs USD	5%	22	5%	56	5%	(4,711)	5%	35
	(5%)	(22)	(5%)	(56)	(5%)	4,711	(5%)	(35)
RMB vs USD	5%	—	5%	(98)	5%	(19,406)	5%	(44,113)
	(5%)	—	(5%)	98	(5%)	19,406	(5%)	44,113

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit before taxation measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis during the Relevant Periods.

(e) Fair value measurement*(i) Financial assets and liabilities measured at fair value***Fair value hierarchy**

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's financial assets that are measured at fair value at the end of each reporting period:

The Group

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Level 3				
Financial assets measured at FVPL	260,551	162,729	10,000	—

(i) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Investment in wealth management products	Discount cash flow method	— Interest return rate

During the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, there were no transfers, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of other financial assets is determined using the forecast future cashflow discounted by risk-adjusted discount rate. The fair value measurement is positively correlated to interest return rate. As at December 31, 2019, 2020 and 2021 and May 31, 2022, it is estimated that with all other variables held constant, an increase in interest return rate by 1% would have increased the Group's profit before taxation by RMB2,606 thousand, RMB1,627 thousand, RMB100 thousand and nil and a decrease in interest return rate by 1% would have decreased the Group's profit before taxation by RMB2,606 thousand, RMB1,627 thousand, RMB100 thousand and nil.

The movements during the Relevant Periods in the balance of these Level 3 financial assets of the Group at fair value through profit or loss are as follows:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Financial assets measured at FVPL					
– Other financial assets:					
At January 1	130,000	260,551	162,729	162,729	10,000
Payment for purchases	1,512,253	3,864,900	1,353,000	728,000	20,000
Changes in fair value recognized in profit or loss during the year/period	1,686	4,463	1,464	896	55
Redemption	(1,383,388)	(3,967,185)	(1,507,193)	(891,625)	(30,055)
At December 31/May 31	<u>260,551</u>	<u>162,729</u>	<u>10,000</u>	<u>—</u>	<u>—</u>
Financial assets measured at FVPL –					
Unlisted equity securities:					
At January 1	—	—	—	—	—
Payment for purchases	—	552	—	—	—
Changes in fair value recognized in profit or loss during the year/period	—	(552)	—	—	—
At December 31/May 31	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as at December 31, 2019, 2020 and 2021 and May 31, 2022.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Short-term employee benefits	3,692	4,032	4,506	1,200	1,906
Retirement scheme contributions	85	10	66	27	27
Equity-settled share-based payment expenses	5,855	2,028	—	—	—
	<u>9,632</u>	<u>6,070</u>	<u>4,572</u>	<u>1,227</u>	<u>1,933</u>

Total remuneration are included in "staff costs" (see note 6(b)).

(b) Identify of related parties

Name of party	Relationship with the Group
Mr. Deng Hongjiu (鄧洪九)	Chairman and controlling shareholder
Ms. Jiang Zongying (江宗英)	A close family member of Mr. Deng Hongjiu
Mr. Deng Haoji (鄧浩吉)	A close family member of Mr. Deng Hongjiu
Ms. Deng Haoyu (鄧浩宇)	A close family member of Mr. Deng Hongjiu
Alibaba (China) Network Technology Co., Ltd. ("Alibaba China") and its affiliates	Entity that has significant influences over the Group
Chongqing Green Commerce Co., Ltd. (重慶綠果香商貿有限公司, formerly known as 重慶綠果農產品有限公司)	Entity controlled by a close family member of Mr. Deng Hongjiu
Chongqing Changshou District Jiuyu Agricultural-Breeding Cooperative (重慶市長壽區九五種養殖專業合作社, formerly known as 重慶市長壽區九五水果專業合作社)	Entity whose legal representative was the group's executive director and controlling shareholder
Chongqing Bianjiu Trading Co., Ltd. (重慶卞玖商貿有限公司, formerly known as 重慶泰九果品有限公司)	Entity controlled by Mr. Deng Hongjiu
Chongqing Deyuan Logistics Co., Ltd. (重慶德遠物流有限公司)	Entity where Mr. Deng Hongjiu had significant influences
Chongqing Dayunhe Logistics Industry Investment Group Co., Ltd. (重慶大運河物流產業投資集團有限公司)	Entity where Mr. Deng Hongjiu had significant influences
Chongqing Qingda Industrial Co., Ltd. (重慶清大實業股份有限公司)	Entity where Mr. Deng Hongjiu had significant influences
Chongqing Shengzhong Investment Management Co., Ltd. (重慶生眾投資管理有限公司)	Entity where an independent non-executive director of the Company is a director

(c) Significant related party transactions

The Group

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Trade related:					
Sales of goods to:					
Chongqing Deyuan Logistics Co., Ltd. (重慶德遠物流有限公司)	6	2	—	—	—
Chongqing Qingda Industrial Co., Ltd. (重慶清大實業股份有限公司)	19	—	—	—	—
Chongqing Shengzhong Investment Management Co., Ltd. (重慶生眾投資管理有限公司)	—	3	1	—	—
Alibaba China and its affiliates*	—	50,759	388,767	205,368	164,761
	<u>25</u>	<u>50,764</u>	<u>388,768</u>	<u>205,368</u>	<u>164,761</u>
Purchases of goods from:					
Alibaba China and its affiliates*	—	923	1,572	279	276
	<u>—</u>	<u>923</u>	<u>1,572</u>	<u>279</u>	<u>276</u>

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Non-trade related:					
Repayment of loans from:					
Mr. Deng Hongjiu	2,066	—	—	—	—

* These entities became the related parties of the Group from September 18, 2020.

(d) **Balances with related parties**

The Group

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Trade related				
Amounts due from:				
Alibaba China and its affiliates*	—	16,375	12,732	57,015
Other receivables:				
Alibaba China and its affiliates*	—	74	1,445	1,320
Amounts due to:				
Chongqing Deyuan Logistics Co., Ltd. (重慶德遠物流有限公司)	4	4	4	4

* These entities became the related parties of the Group from September 18, 2020.

The Company

	As at December 31,			As at
	2019	2020	2021	May 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Trade related				
Amounts due from:				
Alibaba China and its affiliates*	—	16,375	12,732	57,015
Amounts due from:				
Subsidiaries of the Company	120,170	152,174	14,294	19,823
Other receivables:				
Alibaba China and its affiliates*	—	74	1,445	1,320
Amounts due to:				
Chongqing Deyuan Logistics Co., Ltd. (重慶德遠物流有限公司)	4	4	4	4
Amounts due to subsidiaries of the Company:				
Trade and other payables	7,457	1,925	120,240	207,194
Contract liabilities	11,582	11,017	—	—
	19,039	12,942	120,240	207,194

* These entities became the related parties of the Company from September 18, 2020.

(e) Guarantee provided by related parties

As disclosed in note 20, the bank loans and other borrowings of RMB1,000 thousand, RMB107,076 thousand, RMB679,615 thousand and RMB342,359 thousand as at December 31, 2019, 2020 and 2021 and May 31, 2022, respectively, were guaranteed by related parties.

All above-mentioned guarantees by related parties will be released before Listing.

(f) Guarantee provided to a related party

As at December 31, 2019, 2020 and 2021 and May 31, 2022, the Group and Ms. Jiang Zongying provided a joint and several liability guarantee to the controlling shareholder, Mr. Deng Hongjiu amounted to RMB13,610,000, RMB14,790,000, RMB14,790,000 and RMB14,790,000, respectively, being the maximum amount disputed by Mr. Deng Hongjiu with a third party.

The Directors are of the view that the above mentioned guarantee will remain in force upon the Listing.

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At May 31, 2022, the directors consider the immediate and ultimate controlling party to be Mr. Deng Hongjiu, Ms. Jiang Zongying, Chongqing Hezhong Hongjiu LLP and Chongqing Heli Hongjiu LLP. Chongqing Hezhong Hongjiu LLP and Chongqing Heli Hongjiu LLP are two limited liability partnership of which Mr. Deng Hongjiu is the general partner.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

Up to the date of issue of this report, the IASB has issued a number of amendments, and a new standards and interpretations which are effective for the accounting year beginning from January 1, 2023 and which have not been adopted in the Historical Financial Information as follows:

	Effective for accounting periods beginning on or after
IFRS 17, <i>Insurance contracts</i> and related amendments	January 1, 2023
Amendments to IAS 1, <i>Classification of liabilities as current or non-current</i>	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	January 1, 2023
Amendments to IFRS 4, <i>Extension of the temporary exemption from applying IFRS 9</i>	January 1, 2023
Amendments to IAS 8, <i>Definition of accounting estimates</i>	January 1, 2023
Amendments to IAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	January 1, 2023
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far, the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries comprising the Group in respect of any period subsequent to May 31, 2022.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.

A UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below for the purpose to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity Shareholders of the Company as of 31 May 2022 as if it had taken place on 31 May 2022.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 May 2022 or at any future date.

	Consolidated net tangible assets attributable to the equity Shareholders of the Company as of 31 May 2022 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company per Share	
	RMB'000	RMB'000 ⁽⁴⁾	RMB'000	RMB ⁽³⁾	(HK\$ equivalent) ⁽⁴⁾
Based on an Offer Price of HK\$40.0 per H Share	5,157,206	453,593	5,610,799	12.01	13.89
Based on an Offer Price of HK\$52.0 per H Share	5,157,206	595,310	5,752,516	12.31	14.25

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as of 31 May 2022 have been calculated based on the audited consolidated total equity attributable to equity Shareholders of the Company as of 31 May 2022 of RMB5,157,236,000 after deduction of intangible assets of RMB30,000, extracted from the Accountants' Report set out in Appendix I to this Prospectus.

- (2) The estimated net proceeds from the Global Offering are based on 14,012,500 Shares to be issued at the estimated Offer Prices of HK\$40.0 per H Share (being the low-end of the Offer Price) and HK\$52.0 per H Share (being the high-end of the Offer Price), respectively, after deduction of the estimated underwriting fees and other estimated related expenses payable by the Group (excluding listing expenses of RMB24,082,000 which have been expensed prior to 31 May 2022) and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company per Share is arrived at after the above adjustment and on the basis that 467,086,402 Shares were in issue immediately following the completion of the Global Offering assuming the Global Offering had completed on 31 May 2022 without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) For illustrative purpose, the estimated net proceeds from the Global Offering is converted from the Hong Kong dollar into Renminbi and the unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company per Share is converted from the Renminbi into Hong Kong dollar at the exchange rate of RMB1.00 to HK\$1.15686, the exchange rate set by PBOC prevailing on August 18, 2022. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity Shareholders of the Company to reflect our any trading results or other transactions entered into subsequent to 31 May 2022.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this Prospectus.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHONGQING HONGJIU FRUIT CO., LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Chongqing Hongjiu Fruit Co., Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 May 2022 and related notes as set out in Part A of Appendix II to the Prospectus dated August 24, 2022 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 31 May 2022 as if the Global Offering had taken place at 31 May 2022. As part of this process, information about the Group's financial position as at 31 May 2022 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 May 2022 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

August 24, 2022

PRC LAWS AND REGULATIONS**PRC Legal System**

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the “Constitution”) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts may be used as judicial reference and guidance. However, they do not constitute binding precedents.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the “Legislation Law”), National People’s Congress (the “NPC”) and the NPCSC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The NPCSC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws. The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s Congress of the National Autonomous Region has the power to formulate autonomous regulations and separate regulations in accordance with the political, economic and cultural characteristics of the local ethnic groups, and make flexible provisions on the provisions of laws and administrative regulations, but shall not violate the basic principles of laws or administrative regulations, and shall not make flexible provisions on the provisions of the constitution law and the law of regional ethnic autonomy, as well as other relevant laws and administrative regulations on ethnic autonomy.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules. The people’s governments of the provinces, autonomous regions, and municipalities directly under the central government, cities divided into districts and autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts or autonomous prefectures 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 its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee, but which contravene the Constitution or the Legislation Law. The NPCSC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which 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 congresses 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 Standing Committees of local people's Congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level. 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 a lower level.

According to the constitution, the power to interpret laws is invested in the NPCSC. According to the Decision of the Standing Committee of the NPC 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》), if the scope prescribed by laws or decrees needs to be further defined or supplementary provisions need to be made, the NPCSC shall interpret them or make provisions by means of decrees. Issues involving the specific application of laws and decrees in the trial work of the court shall be interpreted by the Supreme People's court. Issues involving the specific application of laws and decrees in the procuratorial work of the procuratorate shall be interpreted by the Supreme People's procuratorate. If there are principled differences in the interpretation of the Supreme People's court and the Supreme People's Procuratorate, they shall be submitted to the NPCSC for interpretation or decision. Issues that do not involve the specific application of laws and decrees in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. If the scope of local laws and regulations needs to be further defined or supplemented, the Standing Committee of the people's Congress of each province, autonomous region and municipality directly under the central government that promulgates such laws and regulations shall interpret or enact regulations. Issues involving the specific application of local laws and regulations shall be interpreted by the competent departments of the people's governments of all provinces, autonomous regions and municipalities directly under the central government.

PRC JUDICIAL SYSTEM

According to the Constitution 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》) (“the Organic Law of the People's Court”) and the Law of Organization of the People's Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》), the people's court is composed of the Supreme People's Court, the local people's courts at all levels and the special people's courts.

Local people's courts at all levels are composed of primary people's courts, intermediate people's courts and higher people's courts. The primary people's courts may set up civil and criminal tribunals. The intermediate people's court has similar structure with the primary people's court, and can set up other tribunals, such as intellectual property tribunal when necessary. Special people's courts include military courts, maritime courts, intellectual property courts, financial courts, etc.

The higher level of people's court supervises the trial work of the people's court at a lower level.

The people's Procuratorate has the right to exercise legal supervision over the proceedings of the people's court at the same level or at a lower level. The people's procuratorates of the PRC are divided into the Supreme People's Procuratorate, the local people's procuratorates at all levels, Military Procuratorates and other special people's procuratorates. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

In accordance with the Criminal Procedure Law of the PRC (《中華人民共和國刑事訴訟法》) (“Criminal Procedure Law”) and the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (“Civil Procedure Law”), the people's courts apply a two-tier appellate system. Before a judgment or ruling of first instance has legal effect, the parties may appeal to the people's court at the next higher level. A judgment or ruling of second instance made by a higher court shall be final and binding. The first instance judgment or ruling of the Supreme People's Court is also final. However, if the Supreme People's Court or the people's court at a higher level finds an error in the effective judgment, ruling or conciliation statement made by the people's court at a lower level, it shall have the right to bring the case up for trial or order the people's court at a lower level to hold the case. If the president of a people's court at any level finds that there is an error in the effective judgment, written order or conciliation statement made by his court and considers that a retrial is necessary, he shall submit it to the judicial committee for discussion and decision.

The Civil Procedure Law contains provisions on the jurisdiction of the people's court, the procedures to be followed in conducting civil proceedings and the procedures for the enforcement of civil judgments or rulings. All parties to a civil action in China shall abide by the civil procedure law. Generally speaking, civil cases are heard by the local court where the defendant lives. The parties to the contract may also choose the court of jurisdiction to file a civil action by express agreement, but the court of jurisdiction shall be the place where the dispute is actually related, such as the place where the plaintiff or the defendant lives, the place where the contract is signed or performed, or the place where the subject matter of the action is located, etc. However, in any case, the above selection shall not violate the provisions of the Civil Procedure Law on level jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization that institute or respond to proceedings in a people's court is given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court shall apply the same limitations to the citizens and enterprises of such foreign country.

If any party to a civil action refuses to comply with the effective judgement, ruling, conciliation statement and other legal documents to be executed by the people's court or an award made by the arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

A party seeking to enforce a judgement or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgement or ruling. A foreign judgement or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The Company Law (《公司法》) was passed by the Standing Committee of the Eighth NPC on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The revised Company Law came into effect on October 26, 2018. Special Regulations of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the “Special Regulations”) were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and were promulgated and implemented on August 4, 1994. The Special Regulations were formulated according to the then applicable Article 85 and Article 155 of the Company Law and should be applicable to the overseas share issue and listing of joint stock limited companies. Pursuant to the Official Reply of the State Council on the Proposed Adjustment to the Provisions Concerning Matters Including the Notice Period for Convention of Shareholders’ Meetings by Overseas Listed Companies (Guo Han [2019] No. 97) (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) (the “Circular 97”) issued on October 17, 2019, the notice period for a shareholders’ meeting, the shareholder proposal right, and the procedures for convening a shareholders’ meeting, for those joint stock companies established within the territory of China but listed outside the territory of China should be governed by the relevant provisions of the Company Law, and the provisions laid down in Article 20 through Article 22 of the Special Regulations will no longer apply to the aforesaid matters.

The Mandatory Provisions in Articles of Association of Joint Stock Limited Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (the “Mandatory Provisions”) were promulgated and implemented by the former Securities Commission of the State Council and the former State Economic System Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association. Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations, the Mandatory Provisions and the Circular 97 applicable to the Company.

General Provisions

A joint stock limited company is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A company may be incorporated by promotion or public subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. A company incorporated by promotion is the one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, unless otherwise provided, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific parties.

The Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce. Shares in the company shall not be offered to others unless the registered capital has been fully paid up.

For companies incorporated by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administrative bureau for industry and commerce. The promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed in accordance with laws if such assets are to be contributed as capital.

The latest revision of the Company Law no longer imposes restrictions on minimum amount or requirements for payment deadlines of paid-up registered capital. However, if there are laws, administrative regulations and other requirements imposed by the State Council provide for payment deadlines of paid-up registered capital or the minimum registered capital of a limited liability company or a joint stock limited company, such laws, administrative regulations and requirements shall prevail.

The promoters shall convene an extraordinary meeting within 30 days after the issued shares have been completely paid up. The extraordinary meeting may be convened only with the presence of promoters and subscribers holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the extraordinary meeting include passing the draft articles of association proposed by the promoters and electing the members of board of directors and the board of supervisors of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the extraordinary meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant administrative bureau for industry and commerce and a business license has been issued.

The promoters of a company shall individually and jointly be liable for the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated, the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated, and damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

The promoters of a company may make capital contributions in cash, or in kind that can be valued in currency and transferable according to laws such as intellectual property rights or land-use rights based on their appraised value.

There is no limit under the Company Law as to the percentage of shares held by an individual shareholder in a company. If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares. A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and subscribed in foreign currency are defined as foreign shares. Foreign shares listed overseas are defined as overseas listed and foreign invested shares. Shares issued to investors within the PRC other than the aforementioned areas and subscribed in RMB are defined as Domestic Shares. Qualified Foreign Institutional Investors (“QFII”) approved by the China Securities Regulatory Commission (the “CSRC”) may invest in the PRC securities market.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the Special Regulations. The share price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council.

Increase of Share Capital

Pursuant to the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for above-mentioned conditions of obtaining approval at the general meeting required by the Company Law, the Securities Law of the People's Republic of China (《中華人民共和國證券法》) (the "Securities Law") requires the following conditions for a company to issue new shares to the public: the company is a complete and well-operated organization; the company is capable of making profits continuously; no false records or significant irregularities are found in its financial and accounting documents over the last three years; the issuer, its controlling shareholder, and actual controller have not been involved in corruption, bribery, embezzlement, misappropriation of property, or disruption of the socialist market economic order in the past three years; the company is able to fulfill any other requirements as prescribed by the securities regulatory authority of the State Council as approved by the State Council. The approval of the securities regulatory authority of the State Council must be obtained. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures stipulated by the Company Law:

- the company shall prepare a balance sheet and a list of properties;
- the reduction of registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction of capital within ten days, and publish an announcement in respect of the reduction in newspapers within thirty (30) days upon passing of the resolution approving the reduction of capital;
- creditors of the company may require the company to settle its debts or provide corresponding guarantees within the statutory time limit; and
- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction of registered capital.

Repurchase of Shares

A company shall not purchase its own shares other than for the following purposes:

- (1) reducing its registered capital;
- (2) merging with other company which holds its shares;
- (3) using shares for employees stock ownership plan or equity incentives;
- (4) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or division;
- (5) using shares for converting convertible corporate bonds issued by the listed company; and
- (6) for the purpose of protecting the corporate value and the rights and interests of shareholders of a listed company when necessary.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) may, pursuant to its articles of association or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares in accordance with these requirements, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure and under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

The Mandatory Provisions stipulate that upon obtaining approvals from relevant supervisory authorities in accordance with the articles of association of the company, a company may, for the aforementioned purposes, repurchase its issued shares by way of a general offer to its shareholders or purchase on a stock exchange or through off-market contract.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock changes established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement of the shareholders or in any other manner specified in applicable laws and regulations. Bearer shares are transferred by delivering the shares to relevant transferees. Unless otherwise stipulated by laws, no modifications of registration in the share register caused by transfer of shares shall be made within twenty days prior to convening a shareholders' general meeting or five days prior to any record date for determination of dividend distributions. Shares of a company held by its promoter(s) shall not be transferred within one year from the date of incorporation of such company. Shares in issue prior to the company's public offering of shares shall not be transferred within one year from the listing date of its shares on the stock exchange.

Directors, supervisors and senior management of a company shall not transfer over 25% of the total shares held by them in the company each year during their term of office, and shall not transfer the shares held by them in the company within one year from the listing date of the shares. Such persons shall also not transfer the shares held by them in the company within half a year after they leave office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

Shareholders

The company's articles of association set forth the rights and duties of its shareholders, which are binding on all shareholders. Pursuant to the Company Law and the Mandatory Provisions, the rights of shareholders include:

- the right to attend shareholders' general meetings in person or by proxy and to vote in respect of the number of shares held;
- the right to transfer their shares in accordance with the applicable laws, regulations and the company's articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of board meetings, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's business operations;

- where a resolution passed by shareholders' general meetings or the board of directors violates the articles of association or infringe the lawful rights and interests of shareholders the right to institute an action in a people's court demanding the cessation of such unlawful infringement;
- the right to receive dividends based on the number of shares held; and
- any other rights of shareholders specified in the company's articles of association.

The obligations of a shareholder include:

- to abide by the company's articles of association;
- to pay the subscription monies in respect of 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 subscribed for;
- not to abuse the shareholders' rights to prejudice the interests of the company or other shareholders thereof;
- not to abuse the independent status of the company as a legal person and a joint stock limited company to prejudice the interests of the creditor(s) of the company; and
- other obligations specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. The shareholders' general meeting exercises the following powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or supervisors;

- to review and approve annual financial budget and final accounts proposed by the company;
- to review and approve the company's proposals on profit distribution and recovery of loss;
- to decide on any increase or reduction of the registered capital of the company;
- to decide on the company's issuance of bonds;
- to decide on merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as specified in the articles of association.

Annual general meetings shall be held once a year. An extraordinary general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number stipulated by the Company Law or less than two thirds of the number specified in the articles of association;
- the losses of the company which are not recovered reach one-third of the company's total paid up share capital;
- as requested by shareholders alone or in aggregate holding 10% or more of the shares of the Company;
- when deemed necessary by the board of directors;
- when proposed by the board of supervisors; or
- other circumstances as specified in the articles of associations.

Shareholders' general meetings shall be convened by the board of directors and presided over by the chairman of the board of directors.

The notice to convene an annual general meeting and an extraordinary general meeting shall be given 20 days and 15 days, respectively, before the date of such meeting pursuant to the Company Law. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

There are no specific provisions in the Company Law regarding the number of shareholders constituting a quorum in a general meeting. Shareholders alone or in aggregate holding more than 3% of the shares of the company may put forth interim proposals and submit the same in writing to the board of directors 10 days before a general meeting. The board of directors shall notify other shareholders within 2 days after receiving such proposals, and submit the interim proposals to the general meeting for review and approval if such proposals are within the scope of its duties and powers. The contents of the interim proposal shall be within the scope of the functions and powers of the general meeting of shareholders, with clear topics and specific matters for resolutions. The general meeting shall not make any resolution on any matter not listed in a notice as stipulated in either of the preceding two notices. Where holders of bearer shares intend to attend the shareholders' general assembly, they shall deposit their share certificates with the company for a period beginning from five days prior to the convening of the meeting to the end of the meeting.

Pursuant to the Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. 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.

Pursuant to the Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of Domestic Shares and holders of overseas listed and foreign invested shares are deemed to be different classes of shareholders for this purpose.

Board of Directors

A company shall have a board of directors, which shall consist of 5 to 19 members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms by re-election upon the expiry of term.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. As for extraordinary meetings convened by the board of directors, the way of giving notice and the notice period may be otherwise determined.

Under the Company Law, the board of directors exercises the following functions and powers:

- to convene the general meeting and report on its work to the shareholders;
- to implement the resolution of the general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate plans for the merger, division, dissolution or change in the form of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company. Interim board meetings may 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 ten days of receiving such proposal, and preside over the meeting. Meetings of the board of directors could be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. If a director is unable to attend a board meeting, he/she may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association 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 proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the order of socialist market economy, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who have been former directors, factory managers or general managers of a company or an enterprise that has been bankrupt and has been liquidated, and those persons are personally liable for the bankruptcy 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;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license;
- persons who have a relatively large amount of debt due and outstanding; or
- other circumstances under which a person is disqualified from acting as a director of a company as set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix IV).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to):

- to preside over general meetings and convene and preside over meetings of the board of directors;
- and to check on the implementation of the resolutions of the board of directors.

According to the Company Law, the legal representative of a company may be the chairman, any executive director (if the limited liability company does not have a board of directors) or the general manager. However, the Mandatory Provisions require that the legal representative of the company shall be the chairman.

The Special Regulations provide that a company's directors, supervisors, general managers and other senior management shall bear fiduciary duties and the obligation to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions and power for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix IV) contain further elaborations of such duties.

Board of Supervisors

A company shall have a board of supervisors composed of not less than three members. The term of office of a supervisor shall be three years, and the supervisors may hold consecutive terms by re-election. The board of supervisors is made up of shareholders' representatives and an appropriate proportion of the company's staff representatives, which shall be no less than one-third. Directors and senior management shall not act as supervisors.

The board of supervisors exercises the following functions and powers:

- check the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior manager who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;
- require the director or senior management to make corrections if his/her act is detrimental to the interests of the company;
- propose the convening of extraordinary general meetings, and to convene and preside over shareholders' meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' meetings;
- put forward proposals at general meetings;

- initiate actions against directors or senior management; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director described above apply mutatis mutandis to supervisors of a company.

General Manager and Senior Managers

A company shall have a general manager who shall be appointed or removed by the board of directors. The general manager is accountable to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business and investment plans;
- formulate plans for the establishment of the company's internal management structure;
- formulate the basic administration system of the company;
- formulate the company's specific rules;
- recommend the appointment and dismissal of deputy general managers and financial officers;
- decide to appoint or dismiss other management personnel (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association. Under the Company Law, the senior management of a company include the general manager, deputy general managers, financial officers, secretary of the board of directors of a listed company and other executives as specified in the articles of association of the company. The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to general managers and officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, general managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration or initiate legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors, general managers and other senior management of a company are required under the Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. Each director, supervisor, general manager and senior officer of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the shareholders.

Any director, supervisor, general manager and other senior management who contravenes any laws, regulations or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, general manager and other senior management of a company owe fiduciary duties to the company and are required to perform their duties faithfully, protect the interests of the company and not to make use of their positions and power in the company for their own benefit.

Finance and Accounting

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the MOF of the State Council.

At the end of each financial year, a company shall prepare a financial report, which shall be audited and verified according to laws.

A company shall make available its financial statements for the inspection by the shareholders at least 20 days before the convening of the annual general meeting. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve (except where such reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders or the general meeting, the company may make an allocation to a discretionary common reserve from the after-tax profits. If the company's statutory surplus reserve is not enough to make up for the losses of the company for the previous year, the current year's profits shall first be used for making up the losses before the statutory surplus reserve is set aside according to the provisions of the preceding paragraph.

After the losses have been made up and surplus reserves have been set aside, the remaining profits after-tax shall be distributed to shareholders in proportion to the number of shares held by shareholders as in the case of a joint stock limited company, except as otherwise provided in the articles of association. The capital common reserve of a joint stock limited company is made up of the premium over the nominal value of the shares of the company in issue, and other amounts required by the MOF of the State Council to be allocated to the capital common reserve. The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company, but the capital reserve fund shall not be used for making up the company's losses. Where the statutory surplus reserve is converted into registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital prior to such conversion.

Appointment and Dismissal of Accounting Firms

According to the Special Regulations, a company shall engage an independent PRC qualified accounting firm to audit the company's annual report and review other financial reports. Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' meeting, shareholders' general meeting or board of directors in accordance with the articles of association. The accounting firm is to be appointed for a term commencing from the conclusion of an annual general meeting and ending at the conclusion of the next annual general meeting. The accounting firm should be allowed to make representations when the shareholders' general meeting conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm which it employs without any refusal, withholding and misrepresentation.

Distribution of Profits

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of dividends to shareholders shall be made through a receiving agent.

According to the Guide to the Program for "Full Circulation" of H shares promulgated by CSDC on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

Amendments to the Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. In relation to matters involving the company's registration, its changes in registration shall be applied with the company registry.

Dissolution and Liquidation

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the people's court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the Company Law, a company shall be dissolved in any of the following events:

- (1) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;
- (2) the shareholders in shareholders' general meeting have resolved to dissolve the company;
- (3) the company is dissolved by reason of its merger or division;
- (4) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or
- (5) in the event that the company encounters substantial difficulties in its operation and management, and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company. Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days after the date of dissolution. Members of the liquidation committee shall be appointed by shareholders at the shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment. The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he has not received any notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- to take stock of the company's assets and to prepare a balance sheet and a property list;
- to notify creditors or issue public notices;
- to deal with any outstanding business of the company related to the liquidation;
- to pay any tax overdue;
- to settle the company's financial claims and liabilities;
- to handle the surplus assets of the company after its debts have been paid off; and
- to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them. During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it shall immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs 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 relevant regulatory authorities for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties honestly and perform their obligation according to laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Overseas Listing

According to the Special Regulations, the shares of a company shall only be listed overseas after obtaining approval from CSRC. A domestic company shall go through formalities of registration with the relevant exchange authority for the overseas listing within 15 business days after the completion of the overseas listing. The approval from the CSRC for overseas share issuance and listing is valid for 12 months.

In addition, if a company fails to issue all the shares as planned in one issue, it is not allowed to issue new shares not covered by the plan. If a company needs to adjust the issue plan, the shareholders' general meeting shall adopt a resolution for the examination by the company examination and approval department authorized by the State Council and the approval by the Securities Committee of the State Council.

Loss of H Shares Certificates

In the event H share certificates in registered form are either stolen or lost, shareholder may, in accordance with the relevant provisions set out in the Civil Procedure Law, apply to a people's court for a declaration that such certificates are no longer valid. Upon such declaration, the shareholder may apply to the company for the issue of replacement certificates. The Mandatory Provisions provide for a separate procedure regarding the loss of H share certificates.

“Full Circulation” of H Shares

Shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for “full circulation”. To file an application for “Full Circulation”, an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the “examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company”.

An H-share listed company may apply for “Full Circulation” separately or when applying for refinancing abroad. An unlisted domestic joint stock company may apply for “full circulation” when applying for an overseas initial public offering.

Merger and Division

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved.

If it merges by forming a new corporation, both companies will be dissolved. Where there is a division of a company, its assets shall be divided up accordingly and a balance sheet and a property list shall be prepared. The company shall notify its creditors within ten days of the date of the company's division resolution and shall publish an announcement in a newspaper within thirty days of the date of the company's division resolution. Debts of the company prior to division shall be assumed by the companies which exist after the division on a joint and several basis, except to the extent that prior to division, the company has otherwise reached a written agreement with its creditors in respect of the settlement of debts.

SECURITIES LAW AND OTHER RELEVANT REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee 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 of securities markets, supervising securities companies, regulating public offers 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. In 1998, the State Council consolidated the two departments and the CSRC has since taken over the original functions of the Securities Commission.

On December 25, 1995, the State Council promulgated and implemented 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 deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The Securities Law came into force on July 1, 1999, and was revised for the first time on August 28, 2004, for the second time on October 27, 2005, for the third time on June 29, 2013, for the fourth time on August 31, 2014 and for the fifth time on December 28, 2019. This law is the first national securities law in China, which is divided into 14 chapters and 226 articles, regulating (including) the issuance and trading of securities, the acquisition of listed companies, stock exchanges, securities companies and the duties and responsibilities of the securities regulatory authority under the State Council. The Securities Law comprehensively regulates the activities of China's securities market. Article 224 of the Securities Law stipulates that a domestic enterprise shall comply with the relevant provisions of the State Council in issuing securities or listing its securities abroad directly or indirectly. Article 225 of the Securities Law stipulates that the specific measures for subscription and trading of shares of domestic companies in foreign currencies shall be separately formulated by the State Council. At present, the shares (including H shares) issued and traded abroad are still subject to the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "Arbitration Law") passed by the NPCSC 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 person, legal person and other organizations, and the parties have entered into a written agreement to refer the matter to 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 of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC 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.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of the company and, in the case of the Listing Rules, shall also be in contracts between the company and each of its directors and supervisors, to the effect that any disputes or claims arising among the following parties will be referred to arbitration including between holders of H shares and the company, between holders of H Shares and the directors, supervisors, manager or other senior management of the company, and between holders of H shares and holders of domestic shares, with respect to any disputes or claims in relation to the companies affairs or as a result of rights or obligations arising under its articles of association, the Company Law or other relevant laws and administrative regulations. Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Center in accordance with the Securities Arbitration Rules. Once a claimant refers to a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and Civil Procedure Law, an arbitral award is final and binding on the parties.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”) passed on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC 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 recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC’s accession to the Convention, the Standing Committee of the NPC declared that (1) the PRC will only apply the New York Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (2) the New York Convention will only apply to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People’s Court of China was reached. The Supreme People’s Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region on June 18, 1999, which went into effect on February 1, 2000. The arrangements reflects the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, the awards may not be enforced.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF COMPANY LAW IN THE PRC AND HONG KONG

The laws of Hong Kong applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC, the Company is governed by the PRC Company Law and all other applicable rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of material differences between the laws of Hong Kong applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and subsisting under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Subsistence

Under the laws of Hong Kong, a company with share capital shall be incorporated upon issuing a certificate of incorporation by the Registrar of Companies in Hong Kong, and will thus subsist as an independent company. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription.

Share Capital

Under Hong Kong law, the shares of a Hong Kong company do not have nominal values. With the prior approval (if necessary) of shareholders, directors may procure the company to issue new shares within the maximum number (if any) of shares specified in the articles of association.

The PRC Company Law does not provide the concept of statutory share capital except for registered capital. The registered capital of a joint stock limited company is the total share capital subscribed for by all the promoters registered in the companies registration authority. An increase in the registered capital must be approved by the shareholders attending the shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

Hong Kong law does not provide for minimum capital required for companies incorporated in Hong Kong.

Under the PRC Company Law, shareholders may make capital contributions in the form of money or appraised non-monetary assets including real objects, intellectual property and land use right which can be appraised in money and transferred according to laws. Non-monetary assets to be used as capital contributions must be appraised and verified and should not be overvalued or undervalued. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Transfer of Shares

Under PRC law, a joint stock limited company's domestic shares, which are denominated and subscribed for in Renminbi, in the share capital, generally may only be subscribed for and traded by the State, PRC legal persons, natural persons or other investment institutions permitted by laws and regulations. Overseas listed shares, which are denominated in Renminbi but subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau or Taiwan or any country and territory outside the PRC,

or qualified domestic institutional investors. If H shares are qualified securities of the Hong Kong Stock Connect, the said shares may also be subscribed for or traded by Chinese investors based on a limited amount according to rules of the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares issued prior to the public offering cannot be transferred within one year from the listing date of the shares of the company on a stock exchange. Shares in a joint stock limited company held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after such persons have left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) six-month lockup on the company's issue of additional shares and (ii) the 12-month lockup on controlling shareholders' disposal of shares after global offering.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions similar to those on a company and its subsidiaries providing such financial assistance under the Hong Kong law.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notices of an annual general meeting and an extraordinary general meeting must be given to shareholders 20 days and 15 days before the meeting, respectively. For a limited liability company incorporated in Hong Kong, the minimum period of notice is 14 days in case of other shareholders' meetings other than annual general meeting and 21 days in the case of an annual general meeting.

Quorum for Shareholders' General Meetings

Under Hong Kong company law, the quorum for a shareholders' general meeting must be two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

Voting at Shareholders' General Meeting

Under the PRC Company Law, the passing of any resolution of a shareholders' general meeting requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of resolutions on amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Under Hong Kong law, (i) an ordinary resolution may be passed by a simple majority of affirmative votes of the shareholders who attend the shareholders' general meeting in person or by proxy, and (ii) a special resolution may be passed by no less than three fourths of affirmative votes of the shareholders who attend the shareholders' general meeting in person or by proxy.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate separate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect of variations of class rights. These provisions have been incorporated in the articles of association, which are summarized in Appendix IV to this Prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders representing three fourths of the nominal value of the issued shares in the class, (iii) with the consent of the Hong Kong company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. The company has, according to the Listing Rules and the Mandatory Provisions, adopted the provisions on protection of class rights similar to those in Hong Kong law in the articles of association.

Holders of overseas listed foreign shares and domestic shares are defined as different classes of shareholders in the articles of association. However, the special procedure for approval for independent class shareholders shall not apply in the following cases: (I) upon the approval by way of a special resolution passed by a shareholders' general meeting, the company independently or simultaneously issues domestic shares and/or overseas listed foreign shares every 12 months, provided that the amount of each class of shares intended to be issued is not more than 20% of the issued and outstanding shares of the respective class as of the date of the special resolution of shareholders; (II) the company's plan on issuing domestic shares and overseas listed foreign shares at the time of incorporation, which is completed within 15 months upon the date of approval from the CSRC; and (III) the transfer of shares held by our holders of domestic shares to overseas investors or conversion of part of the domestic shares into overseas listed shares and trading of such shares in the overseas market upon approval of the CSRC.

Directors

The PRC Company Law, unlike Hong Kong law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' rights to carry out major disposals or companies providing certain benefits, or prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law restricts the directors of a listed company who have interests or associations in the enterprises involved in the resolution of the board meetings from voting on the said resolution. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office. All the above provisions have been incorporated in the articles of association, which are summarized in Appendix IV.

Supervisors

Under the PRC Company Law, a joint stock limited company's board of directors and general manager are subject to the supervision and inspection of the supervisory committee. There is no mandatory requirement for the establishment of the supervisory committee for a company incorporated in Hong Kong.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a shareholders' general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

Pursuant to the PRC Company Law, in the event that the directors, supervisors and senior management violate laws, administrative regulations or the articles of association in performance of duties to the company, thereby causing damages to the company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. If the supervisors are involved in the aforesaid circumstance, the above said shareholders may send written request to the supervisory committee to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company to observe the articles of association. This allows minority shareholders to initiate proceedings against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his/her interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law stipulates that if the company's operation and management are seriously distressed and continuous existing will cause significant losses to shareholders' interests and cannot be resolved through other channels, shareholders holding more than 10% of the company's shareholders' voting rights may request the people's court to dissolve the company. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his/her duty to act honestly in the best interests of the company or make decisions to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company.

Financial Disclosure

Under the PRC Company Law, a company is required to make its financial and accounting reports available at the company's office address for inspection by shareholders 20 days before its annual general meeting. In addition, a company of which the shares are publicly offered must publish its financial report in accordance with the PRC Company Law. A company shall prepare its financial and accounting reports at the end of each fiscal year, and submit the same to be audited by certified public accountants as required by law.

The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented at its annual general meeting, not less than 21 days before such meeting.

A company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any contradiction between the information disclosure documents prepared by a company for announcement within and outside the PRC. If there are differences in the information disclosed by the company within and outside the PRC in accordance with the relevant PRC and overseas laws, regulations and requirements of the stock exchanges, such differences should also be disclosed simultaneously in the relevant stock exchanges.

Under the Hong Kong law, if an annual general meeting is held in a certain fiscal year, the company should submit the text of the reporting documents in relation to the said fiscal year to every shareholder at least 21 days before the date of the meeting.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Dividend and Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years. The Mandatory Provisions require the company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends distributed by the joint stock limited company in respect of the foreign shares and all other monies payable.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members under Section 673 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution, liquidation or change the form of a company has to be approved in the shareholders' general meeting by shareholders.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's discretion.

Statutory Deduction

Under the PRC Company Law, a company shall withdraw 10% of the annual after-tax profits as the statutory common reserve fund of the company. Such withdrawal may be stopped when the statutory common reserve fund of the company has accumulated to at least 50% of the registered capital of the company. After statutory common reserve is withdrawn out of the after-tax profits, discretionary common reserve may also be withdrawn out of the same as per a resolution made at a shareholders' general meeting. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager shall be liable for compensation. In addition, the company's remedies are similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management personnel), in line with the Listing Rules.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and Special Regulations, directors, supervisors and senior management personnel should not engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under certain circumstances) in a year, whereas, as required by the PRC Company Law and Mandatory Provisions, change of the register of shareholders arising from share transfer shall not be registered within 20 days before convening of a shareholders' general meeting or within 5 days prior to the base date on which the company decides to distribute dividends.

HONG KONG LISTING RULES

The Listing Rules provide additional requirements which apply to the issuer incorporated in the PRC as a joint stock limited company (“**PRC issuer**”) in accordance with PRC laws and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the main additional requirements which apply to the Company.

Compliance Adviser

A PRC issuer seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance adviser accredited by the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after the listing date.

The compliance adviser should provide professional advice on continuous compliance with the Hong Kong Listing Rules and all other applicable laws and regulations, and to act at all times, in addition to two authorized representatives of the PRC issuer, as the principal channel of communication with the Hong Kong Stock Exchange. The existing compliance adviser shall not be dismissed until a replacement approved by the Hong Kong Stock Exchange has been appointed. If the Hong Kong Stock Exchange considers that the compliance adviser has not fully fulfilled its responsibilities, it may require the PRC issuer to dismiss the compliance adviser and appoint a replacement.

The compliance adviser must keep the PRC issuer informed on a timely basis of changes in the Hong Kong Listing Rules and any applicable new or amended law, regulation or code in Hong Kong. It must act as the PRC issuer’s principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the PRC issuer are expected to be frequently outside Hong Kong.

Accountants’ Report

Accountants’ reports are generally not acceptable unless the accounts have been audited in accordance with the standards similar to those in Hong Kong or in accordance with the International Standards on Auditing or the China Auditing Standards.

Agent for Service of Process

The PRC issuer must appoint and authorize a person to accept legal proceedings and notices served on it in Hong Kong while its securities are listed on the Hong Kong Stock Exchange; the PRC issuer shall also notify the Hong Kong Stock Exchange of details of the appointment, termination of the appointment and contact details of the authorized person.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK\$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalization at the time of listing of more than HK\$10,000 million.

Independent Non-executive Directors and Supervisors

Independent non-executive directors of a PRC issuer shall have acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of all shareholders of the listed company will be adequately represented. The PRC issuer shall have at least one independent non-executive director who usually resides in Hong Kong. Supervisors must have the quality, expertise, morals and abilities commensurate with their positions.

Restrictions on Repurchase of Securities

A PRC issuer may repurchase its own shares according to the Hong Kong Listing Rules. In seeking shareholders' approval for the repurchase of the securities on the Hong Kong Stock Exchange or in reporting the repurchase related matters, the PRC issuer shall provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The number of shares authorized to be repurchased by the issuer shall not exceed 10% of the number of outstanding shares of the issuer.

Redeemable Shares

An issuer must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors of a PRC issuer are required to obtain approval by way of a special resolution of shareholders at shareholders' general meeting, and the approvals by way of special resolutions of the holders of domestic shares and H shares (each being entitled to vote at shareholders' general meetings) at separate class meetings conducted in accordance with the articles of association, prior to authorizing, allotting, issuing or granting the following securities: (i) shares; (ii) securities convertible into

shares; and (iii) options, warrants or similar rights to subscribe for any shares or such convertible securities. If the distribution of shares with voting rights will actually change the control rights of the PRC issuer, the directors of the PRC issuer shall not allocate such shares until they have obtained the prior approval of the shareholders by a special resolution at the shareholders' general meeting.

No such approval will be required unless (i) the existing shareholders have by special resolution in shareholders' general meeting given a mandate to the PRC issuer, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to recognize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the domestic shares and overseas-listed foreign shares issued by the PRC issuer at that time; or (ii) such shares are issued as part of the PRC issuer's plan at the time of its establishment to issue domestic shares and overseas-listed foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC and other qualified securities regulatory authority under the State Council.

Supervisors

The supervisors of a PRC issuer or any of its subsidiaries are connected persons. The issuer shall adopt rules governing dealings by the supervisors in listed securities of the issuer in terms as exacting than those of the Model Code set out in Appendix 10 to the Hong Kong Listing Rules.

A PRC issuer is required to obtain the approval of its shareholders at a shareholders general meeting (at which the relevant supervisor and his associates shall not vote on the matter) prior to the PRC issuer or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the issuer or any of its subsidiaries (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The remuneration committee of the issuer or an independent board committee must form a view in respect of service contracts that require shareholders' approval, tell shareholders whether the terms are fair and reasonable, advise whether such contracts are in the interests of the issuer and its shareholders as a whole, and advise shareholders (other than directors and shareholders with a material interest in the service contracts and their associates) on how to vote.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions and the Hong Kong Listing Rules.

Documents Available for Inspection

A PRC issuer is required to make available copies at a place in Hong Kong of the following:

- a complete duplicate register of shareholders (for inspection by the public and its shareholders free of charge, and for copying by its shareholders at reasonable charges); and
- the minutes of meetings of shareholders (for inspection by shareholders free of charge, and for copying by shareholders at reasonable charges).

Documents Available on Display

A PRC issuer shall publish on the Stock Exchange's website and its own website of the following:

- a report showing the state of the issued share capital of the PRC issuer;
- the PRC issuer's latest audited financial statements and the reports of the directors, auditors and supervisors;
- special resolutions of the PRC issuer;
- reports showing the number and nominal value of PRC issuer's securities repurchased by the PRC issuer since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between domestic shares and foreign shares (and, if applicable, H shares)); and
- a copy of the latest annual return filed with the Chinese State Administration for Industry and Commerce or other competent PRC authorities.

Receiving Agents

A PRC issuer is required to appoint one or more receiving agents in Hong Kong to receive and keep, on behalf of the holders of relevant securities, the dividends declared and other monies payable by the PRC issuer in respect of its securities listed on the Hong Kong Stock Exchange, and hand over the same to the said holders.

Statements in H-Share Certificates

A PRC issuer is required to ensure that all of its listing documents include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the PRC issuer and each shareholder, and it agrees with the PRC issuer and each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and articles of association of the PRC issuer;
- agrees with the PRC issuer, each shareholder, director, supervisor, manager and senior management personnel of the PRC issuer and the PRC issuer (acting both for itself and for each director, supervisor, manager and senior management personnel) agrees with each shareholder to refer all disputes and claims arising from the articles of association or any rights or obligations stipulated by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the PRC issuer and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the PRC issuer to enter into a contract on his behalf with each director and senior management personnel whereby such directors and senior management personnel undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Legal Compliance

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and Directors, Senior Management Personnel and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management personnel containing at least the following provisions:

- an undertaking by the director or senior management personnel to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Takeovers Code and Code on Share Repurchases, and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;
- an undertaking by the director or senior management personnel to it acting as agent for each shareholder to observe and comply with his obligations to the shareholders as stipulated in the articles of association; and
- an arbitration clause which provides that whenever any disputes or claims arise from the contract, the articles of association or any rights or obligations stipulated by the PRC Company Law or other relevant law and administrative regulations concerning affairs (i) between the company and its directors or senior management personnel; and (ii) between a holder of overseas-listed foreign shares and a director or senior management personnel of the company, such disputes or claims will be referred to arbitration by the parties concerned. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration. The award of the arbitral body is final and shall be binding on the parties thereto.

Subsequent Listing

A PRC issuer must not apply for the listing of its foreign shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its overseas-listed foreign shares are adequately protected.

English Translation

All notices or other documents required under Chapter 13 of the Hong Kong Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange are required to be in English, or accompanied by a signed and certified English translation.

All documents (including accounts) provided by a PRC issuer in languages other than English must be accompanied by a signed and certified English translation. If so requested by the Hong Kong Stock Exchange, a person designated by the Hong Kong Stock Exchange shall be appointed in Hong Kong to provide additional translations at the expense of the PRC issuer.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of equity securities by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Hong Kong Listing Rules to impose additional requirements and make special conditions.

This appendix contains the summary of the principal provisions of the Articles of Association adopted by the Company, which shall become effective on the date that the H Shares are listed on the Hong Kong Stock Exchange. The main purpose of this appendix is to provide an overview of the Company's Articles of Association for potential investors, so it may not contain all the information that is important to potential investors.

SHARES AND REGISTERED CAPITAL

The Company shall issue ordinary shares at all times. With the approval from authorities authorised by the State Council, the Company may issue other classes of shares when needed.

All the shares issued by the Company shall have a nominal value, each share having a nominal value of RMB1.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have equal rights.

All shares of the same class issued at the same time shall be issued under the same conditions and at the same price; the same price shall be paid for each share subscribed by any entities or individuals.

The domestic shares and overseas listed foreign shares issued by the company enjoy the same rights to distribution of dividends and distribution in any other form.

INCREASE, DECREASE AND REPURCHASE OF SHARES

(1) Increase of Capital

Pursuant to the requirements of laws, regulations and the listing rules of the stock exchange where the Company's shares are listed, the Company may, based on its business and development needs, authorize the increase of its capital in accordance with the relevant provisions of the Articles of Association.

The Company may increase its registered capital in the following ways:

- (1) issue new shares to non-specified investors;
- (2) by placing new shares to its existing shareholders;
- (3) issue bonus shares to existing shareholders;
- (4) by capitalising its capital reserves;
- (5) by other ways permitted by the laws and administrative regulations.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association be conducted in accordance with the procedures stipulated in the relevant laws and administrative regulations and the listing rules of the stock exchange in which Company's shares are listed.

(2) Decrease of Capital

The Company may reduce its registered capital in accordance with the law.

In the event of reduction of registered capital, the Company shall prepare a balance sheet and a list of assets.

The company shall notify its creditors within 10 days from the date of resolution of reducing its registered capital, and make an announcement in a newspaper within 30 days. Within 30 days from the date of receiving the notice, or within 45 days from the date of first announcement if the creditor fails to receive the notice, the creditor shall have the right to require the company to pay off its debts or provide corresponding guarantees.

(3) Repurchase of Shares

The Company may not repurchase its issued shares except under one of the following circumstances:

- (1) reducing the Company's registered capital;
- (2) merging with other companies which hold shares in the Company;
- (3) awarding shares for employee stock ownership plan or share incentive plan;
- (4) acquiring shares held by shareholders, who vote against any resolution proposed in any general meeting on the merger or division of the Company, upon their request;
- (5) using shares for converting corporate bonds which are convertible into shares that issued by Company;
- (6) for the need of protecting Company value and shareholders' equity;
- (7) other circumstances as permitted by laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed.

The Company may buy back its shares in one of the following manners with the approval from relevant national competent authorities:

- (1) by making a pro rata general offer of buy-back to all shareholders;
- (2) by repurchasing shares through public trading on a stock exchange;
- (3) by repurchasing through an off-market agreement.

Where the Company buys back its shares through an off-market agreement, it shall seek prior approval of the shareholders' general meeting in accordance with the Articles of Association. The Company may terminate or amend an agreement entered into in the aforementioned manner or waive any of its rights thereunder with prior approval of the shareholders' general meeting obtained in the same manner.

The agreement for the share buy-back referred to in the preceding paragraph includes but not limited to agreements assuming obligations of share buy-back and acquiring the rights of the shares bought back.

The Company shall not assign an agreement for repurchasing its own shares or any of its rights thereunder.

If they are not bought back on the market or by way of tender, the purchase prices of these shares shall not exceed certain maximum price; if they are bought back by way of tender, the tenders shall be available and proposed to all shareholders in the same manner.

After the shares are bought back by the Company pursuant to the laws, the Company shall cancel such shares bought back within the period prescribed by laws, administrative regulations and the listing rules of the stock exchange in which Company's shares are listed, and shall apply to the original company registration authority for registration of the change in the registered capital.

The amount of the Company's registered capital shall be reduced by the aggregate nominal value of those cancelled shares.

Unless the Company is under liquidation, it shall comply with the following provisions in respect of the buy-back of its outstanding shares:

- (I) where the Company buys back its shares at nominal value, the amount thereof shall be deducted from the book balance of the distributable profits of the Company and/or from the proceeds of a new issue of shares made for the buy-back of shares;
- (II) where the Company buys back its shares at a price higher than nominal value, the portion corresponding to the nominal value shall be deducted from the book balance of the distributable profits of the Company and/or from the proceeds of a new issue of shares made for the buy-back of the old shares. The portion in excess of the nominal value shall be handled as follows:
 - (1) if the shares bought back were issued at nominal value, payment shall be deducted from the book balance of the distributable profits of the Company;
 - (2) if the shares bought back were issued at a price higher than their nominal value, payment shall be deducted from the book balance of the distributable profits of the Company and/or from the proceeds of a new issue of shares made for the buy-back of the old shares, provided that the amount deducted from the proceeds of the new issue of shares shall not be more than the aggregate of premiums received by the Company at the time of the issue of the shares bought back nor shall it be more than the amount of the Company's premium account (or capital reserve account) at the time of such buy-back (including the premiums on the new issue of shares);
- (III) payment by the Company for the following purposes shall be paid out of the Company's distributable profits:
 - (1) acquisition of rights to buy-back shares of the Company;
 - (2) modification of any agreement for repurchasing shares of the Company;
 - (3) release of any of the Company's obligations under any agreement for repurchasing its shares;
- (IV) after the aggregate nominal value of the cancelled shares has been deducted from the registered capital of the Company in accordance with the relevant requirements, the amount deducted from the distributable profits for payment for repurchasing shares at their nominal value shall be accounted for in the Company's premium account (or capital reserve account).

Where the laws, administrative regulations, departmental rules, normative documents and relevant requirements of the Securities Regulatory Authorities in the place where the Company's shares are listed contain any other provisions in respect of the accounting treatment related to the aforementioned share buy-back, such provisions shall prevail.

FINANCIAL ASSISTANCE FOR PURCHASE OF THE COMPANY'S SHARES

The Company or any of its Subsidiaries shall not, by any means and at any time, provide any financial assistance to purchasers or potential purchasers of the Company's shares. The aforesaid purchasers of the Company's shares include persons directly or indirectly undertaking obligations due to purchase of the Company's shares.

The Company or its subsidiaries shall not, by any means and at any time, provide any financial assistance to the aforesaid obligors for the purpose of reducing or discharging their obligations.

The following acts shall not be prohibited:

- (1) the Company provides the relevant financial assistance in the interests of the Company in good faith, and the primary purpose of the said financial assistance is not to purchase the Company's shares, or the said financial assistance is part of a master plan of the Company;
- (2) the Company distributes its assets as dividends in accordance with the laws;
- (3) the Company distributes dividends in the form of shares;
- (4) the Company reduces its registered capital, repurchases its shares and adjusts the equity structure in accordance with the Articles of Association;
- (5) the Company provides a loan for its normal business operations within its business scope (provided that such financial assistance shall not result in a reduction in the net assets of the Company, or in the event of such reduction, such financial assistance is provided out of the distributable profits of the Company);
- (6) the Company provides the funding for employee stock ownership plan (provided that such financial assistance shall not result in a reduction in the net assets of the Company, or in the event of such reduction, such financial assistance is provided out of the distributable profits of the Company).

Financial assistance includes (but not limited to) the following ways:

- (1) gift;
- (2) guarantee (including the undertaking of liability or provisions of property by the guarantor in order to guarantee the performance of the obligation by the obligor), indemnity (excluding, however, indemnity arising from the Company's own fault) and termination or waiver of rights;
- (3) providing of a loan or signing of a contract under which the obligations of the Company are to be fulfilled prior to the fulfillment of the obligations of the other party to the contract, and a change in the party to such loan or agreement as well as the assignment of rights under such loan or contract;
- (4) financial assistance provided in any other form when the Company is insolvent or has no net assets or when such assistance would lead to a significant reduction in the Company's net assets.

The term undertake obligations shall include the undertaking of an obligation by the obligor by entering into a contract or making an arrangement (whether or not such contract or arrangement is enforceable and whether or not such obligation is assumed by the obligor individually or jointly with any other person), or by changing its financial position in any other way.

TRANSFER OF SHARES

The shares of the Company held by the promoters shall not be transferred within one year after the incorporation of the Company. Shares issued prior to any public offer of shares shall not be transferred within one year of the date on which the shares of the company are first listed and traded on a stock exchange.

The Directors, Supervisors and senior management of the Company shall report to the Company their shareholdings and changes thereof and shall not transfer more than 25% of the total number of their shares in the Company per annum during their terms of office. The shares held by them shall not be transferred within one year of the date on which the shares are first listed and traded on a stock exchange.

The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.

SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS**(1) Share Certificates**

The share certificates of the Company shall be in registered form.

Matters needed to be specified in Company shares shall include matters required to be specified pursuant to the PRC Company Law and to the rules of the stock exchange in which Company's shares are listed.

The share certificates shall be signed by the Chairman of the Board. Where the signatures of other senior management of the Company are required by the stock exchange where the Company's shares are listed, the share certificates shall also be signed by such other senior management. The share certificates shall become valid after the Company seal is affixed thereto or imprinted thereon. The affixing or imprinting of the Company seal to the share certificates shall be authorised by the Board. The signature of the Chairman of the Board or such other senior management of the Company on the share certificates may also be in printed form.

In case of paperless issuance and trading of the shares of the Company, provisions otherwise provided by the securities regulatory authorities in the place where the Company's shares are listed shall apply.

(2) Register of Shareholders

The Company shall establish a register of shareholders in accordance with certificates from the share registrar, and shall register therein the following particulars:

- (1) the name (title), address (domicile), occupation or nature of each Shareholder;
- (2) the class and number of shares held by each Shareholder;
- (3) the amount paid or payable for the shares held by each Shareholder;
- (4) the serial number of the share certificate held by each Shareholder;
- (5) the date on which each shareholder is registered as a Shareholder;
- (6) the date on which each shareholder ceases to be a Shareholder.

The shareholders' register is a sufficient evidence of the Shareholders' shareholdings in the Company unless there is evidence to the contrary.

The Company may keep overseas the register of shareholders of overseas listed foreign shares and entrust the administration thereof to an overseas agent in accordance with the understanding and agreement reached between the securities regulatory authorities of the State Council and the overseas Securities Regulatory Authorities. The original register of holders of overseas listed foreign shares listed on the Hong Kong Stock Exchange shall be kept in Hong Kong.

The Company shall keep at its domicile a copy of the register of shareholders of overseas listed foreign shares. The entrusted overseas agent shall always ensure that the original and copies of the register of holders of overseas listed foreign shares are consistent.

Where the original and copies of the register of shareholders of overseas listed foreign shares are inconsistent, the original shall prevail.

The Company shall keep a complete shareholders' register.

The shareholders' register shall include the following parts:

- (1) the register(s) of shareholders kept at the Company's domicile other than those specified in items (2) and (3);
- (2) the original register(s) of shareholders of overseas listed foreign shares kept in the place(s) of the overseas stock exchange(s) where the shares are listed;
- (3) the register(s) of shareholders kept in other places as the Board may decide and consider necessary for listing purposes.

The various parts of the register of shareholders shall not overlap with each another. The transfer of shares registered in a certain part of the register of shareholders shall not, during the continuance of the registration of such shares, be registered in any other part of the register of shareholders.

Changes and corrections to each part of the register of shareholders shall be carried out in accordance with the laws of the places where each part is kept.

Within 20 days prior to the convening of the general meeting or 5 days prior to the date of determining on which the company decides to distribute dividends, the change of share register arising from share transfer shall not be registered. If the laws, administrative regulations, rules of department, normative documents of the PRC and rules of relevant stock exchanges or regulatory authorities in the place where the company's shares are listed provide for the period of suspension of share transfer registration, such provisions shall prevail.

When the Company convenes a general meeting, distributes dividends, commences liquidation or participates in other activities requiring the identification of shareholders, the Board shall decide the record date. The shareholders whose names appear on the register of shareholders at the close of trading on the record date shall be entitled to the relevant rights.

Any party which raises objection to a register of shareholders and requests its name (or title) to be registered in the register of shareholders or requests that its name (or title) be deleted from the register of shareholders may apply to the court having jurisdiction to amend that register of shareholders.

If any shareholder in the register of shareholders or any person requesting to have his/her name (title) recorded in the register of shareholders loses his/her share certificates (i.e. “the Original Share Certificates”), the said shareholder or person may apply to the Company to issue replacement certificates in respect of the said shares (i.e. “the Relevant Shares”).

After the Company reissues new shares in accordance with the provisions of the Articles of Association, the name (title) of a bona fide purchaser gaining possession of such new share certificate or the person who is subsequently entered in the register of shareholders as holder of such shares (if he/she is a bona fide purchaser) shall not be removed from the register of shareholders.

The Company shall not be liable for any damages suffered by any person arising from the cancellation of the Original Share Certificates or the issuance of a new replacement share certificate, unless the claimant can prove that the Company has committed a fraudulent act.

The Company shall have the right to issue share warrants to bearers. No new share warrant shall be issued to replace one that has been lost, unless the Company is reasonably satisfied that the original has been destroyed.

RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

(1) Shareholders

A Shareholder is a person who lawfully holds shares of the Company and has his/her name (title) recorded in the register of shareholders.

A Shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class of shares he/she holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

(2) Rights and Obligations of Shareholders

The ordinary Shareholders shall enjoy the following rights:

- (1) the right to receive dividends and other profit distributions in proportion to their shareholdings;
- (2) the right to attend or appoint proxies to attend general meetings lawfully and to exercise the corresponding voting rights;
- (3) the right to supervise and manage the business operation of the company, to present proposals or to raise enquires;
- (4) the right to transfer, gift or pledge shares in accordance with laws, administrative regulations and provisions of the Articles of Association;
- (5) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:
 1. the right to obtain the Articles of Association, subject to payment of reasonable cost;
 2. the right to inspect and copy, subject to payment of a reasonable charge:
 - (i) the register of all the Shareholders;
 - (ii) personal particulars of each of the Company's Directors, Supervisors and senior management members, including:
 - a. present and former name and alias;
 - b. principal address (domicile);
 - c. nationality;
 - d. primary and all other part-time occupations and duties;
 - e. identification documents and the numbers thereof;
 - (iii) reports showing the status of the Company's issued share capital;
 - (iv) reports showing the aggregate nominal value, quantity, maximum and minimum prices paid in respect of each class of shares repurchased by the Company since the end of the last financial year and the aggregate amount incurred by the Company for this purpose;

- (v) Minutes of general meeting of shareholders (for shareholders' reference only), special resolutions of the company;
- (vi) the latest audited financial report of the Company and the reports of the Board of Directors, auditors and the Board of Supervisors;
- (vii) the annual report of last year that has been filed with the PRC Administration for Industry and Commerce or other competent authorities;
- (viii) counterfoils of corporate bonds, resolutions of the Board of Directors, resolutions of the Board of Supervisors and financial accounting reports.

The company shall keep the above documents other than items (ii) and (viii) at the Company's address in Hong Kong, according to the requirements of the Hong Kong Listing Rules, for the public and H-share shareholders to inspect free of charge.

- (6) with respect to shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company, the right to demand the Company to buy back their shares;
- (7) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the shareholdings;
- (8) other rights under laws, administrative regulations, departmental rules, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association.

The Company shall not exercise any rights to freeze or otherwise prejudice any rights attached to the shares held by any person who directly or indirectly has interest in the Company solely for the reason that such person fails to disclose to the Company any such interests.

The ordinary Shareholders of the Company shall have the following obligations:

- (1) to abide by laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association;
- (2) to pay capital contribution for the shares subscribed for in the prescribed method of subscription;
- (3) not to return the shares except as otherwise provided for by laws and regulations;

- (4) not to abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders; and not to abuse the status of the Company as an independent legal person and the limited liability of shareholders to jeopardize the interests of any creditors of the Company;

Where shareholders of the Company abuse their shareholders' rights and thereby causing loss to the Company or other shareholders, such shareholders shall be liable for indemnity in accordance with the law.

Where shareholders of the Company abuse the Company's status as an independent legal person and the limited liability of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company.

- (5) to fulfill other obligations as stipulated by laws, administrative regulations and the Articles of Association.

Shareholders shall not be liable for further contribution to share capital other than the conditions agreed to as a subscriber of the shares at the time of subscription.

RESTRICTIONS ON THE CONTROLLING SHAREHOLDERS' RIGHTS

Except for the obligations required by the laws, administrative regulations or the listing rules of the stock exchanges in which the Company's shares are listed, the Controlling Shareholder shall not exercise its voting rights on the following issues to the detriment of all or part of the Shareholders:

- (1) Exempting Directors and Supervisors from acting in good faith with the best interests of the Company;
- (2) Approving Directors and Supervisors (for the benefit of themselves or others) to deprive the Company's property in any form, including (but not limited to) any opportunity that is beneficial to the Company;
- (3) Approving Directors and Supervisors (for the benefit of themselves or others) to deprive other Shareholders' own rights, including (but not limited to) any distribution rights and voting rights, but does not include the reorganisation of the Company approved by the shareholders' general meeting in accordance with the Company's Articles of Association.

SHAREHOLDERS' GENERAL MEETING**General rules for the Shareholders' General Meeting**

The general meeting is the authority of power of the Company, and shall exercise the following duties and powers in accordance with the law:

- (1) to decide the Company's operational policies and investment plans;
- (2) to elect and change the Directors and the Supervisors from the representatives of the shareholders and decide on the remunerations of Directors and Supervisors;
- (3) to examine and approve reports of the Board of Directors and the Supervisory Committee;
- (4) to examine and approve the proposed annual financial budgets, final accounts of the Company;
- (5) to examine and approve the profit distribution plans and loss recovery plans of the Company;
- (6) to make resolutions on the increase or reduction of the registered capital of the Company;
- (7) to make resolutions on the merger, division, dissolution, liquidation or change in the corporate form of the Company;
- (8) to make resolutions on the issuance of corporate bonds;
- (9) to amend the Articles of Association;
- (10) to determine the Company's engagement, removal or discontinuance of engagement of accounting firms;
- (11) to consider the proposal of shareholders representing more than 5% (inclusive) voting shares of the Company;
- (12) to examine and approve the guarantees required to be approved by the general meeting in accordance with listing rules of the stock exchange where the Company's shares are listed;

- (13) to examine and approve the transactions required to be approved by the general meeting in accordance with listing rules of the stock exchange where the Company's shares are listed; to consider and approve matters relating to the purchases, disposals of material assets, or provisions of guarantees, which are more than 30% of the latest total assets extracted from the audited consolidated financial statements, within one year;
- (14) to examine and approve the connected transactions required to be approved by the general meeting in accordance with listing rules of the stock exchange where the Company's shares are listed;
- (15) to review and approve the change of the use of the proceeds;
- (16) to review the equity incentive plan;
- (17) to consider other matters required to be resolved by the shareholders' general meeting pursuant to laws, regulations, the rules of securities regulatory authorities in the place where the Company's shares are listed and the Articles of Association.

Unless the Company is under exceptional circumstances such as crisis, the Company shall not enter into contracts with a party (other than a Director, Supervisor, and senior management members) in relation to handover of the administration of all business or the important business of the Company to that party without the pre-approval of the general meeting.

The general meetings consist of annual general meetings and extraordinary general meetings. The annual general meeting shall hold once every year within six months from the end of the previous financial year.

The Company shall convene an extraordinary general meeting within two (2) months upon occurrence of the following events:

- (1) when the number of Directors is less than the number stipulated in the Company Law or two-thirds of the number specified in the Articles of Association;
- (2) when the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;
- (3) at the request of shareholders who individually or collectively hold more than 10% of the company's shares;
- (4) when deemed necessary by the Board;
- (5) when proposed by the Supervisory Committee;
- (6) when proposed by two or more independent non-executive Directors;

- (7) any other circumstances stipulated by laws, administrative regulations, departmental regulations, the listing rules of the stock exchange where the Company's shares are listed or the Articles of Association.

The number of shares in aforesaid item (3) shall be calculated based on the date on which the shareholders make a written request.

Notices of the Shareholders' General Meeting

The convener will notify all shareholders of the time, place and deliberation matters of the annual general meeting 20 days before the meeting is held, and the interim general meeting will notify all shareholders 15 days before the meeting is held.

Resolutions with regard to matters other than those specified in the preceding paragraph shall not be adopted at the shareholders' general meetings.

Notice of a general meeting shall satisfy the following requirements:

- (1) be in writing;
- (2) specific venue, date and time of the meeting;
- (3) matters to be considered at the meeting;
- (4) any information and explanations necessary to be made available to the Shareholders for such Shareholders to make sound decisions about the matters to be discussed. This principle includes (but not limited to) the provision of the specific terms and contract(s), if any, of the proposed transaction(s) and serious explanations about the reasons and effects when the Company proposes mergers, repurchase of shares, equity restructuring or other restructuring;
- (5) in the event that any of the Directors, Supervisors, Manager and other senior management has material interests in matters to be discussed, the nature and extent of the interests shall be disclosed. If the matters to be discussed affect any Director, Supervisor, Manager and other senior management as a Shareholder in a manner different from the manner they affect other Shareholders of the same class, the difference shall be explained;
- (6) the notice and supplementary notice of a shareholders' general meeting shall include the contents stipulated in the Hong Kong Listing Rules and the Articles of Association, and shall disclose all the specific contents of all proposals fully and completely. For matters which require the independent directors to issue an opinion, the notice or supplementary notice of the shareholders' general meeting shall disclose the independent directors' opinions and reasons simultaneously;

- (7) a prominent statement that all Shareholders are eligible for attending the general meeting and are entitled to appoint one or more proxies to attend and vote at such meeting on his/her behalf, and that such proxy does not need to be a Shareholder of the Company;
- (8) state the time and venue for lodging a proxy form for the meeting, the convenor, the date of shareholding record, contact person of the meeting and his phone number;
- (9) in the event that the meeting is held by way of internet voting or by correspondence, the notice shall also state the time, voting procedures and matters to be considered by way of internet voting or by correspondence;
- (10) any other requirements provided for by laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed or the Articles of Association.

Except as otherwise stipulated in the laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed or the Articles of Association, the notice of the general meeting shall be served on the Shareholders (whether or not such Shareholder is entitled to vote at the general meeting) by hand or postage prepaid mail. The address of the recipient shall be the registered address as shown in the register of shareholders. For holders of Domestic Shares, the notice of the general meeting may also be given by way of announcement.

The announcement referred above shall be published in one or more newspapers designated by the Securities Regulatory Authorities of the State Council. Once such an announcement is made, all holders of the Domestic Shares shall be deemed to have received the relevant notice of the general meeting.

Convening of Shareholders' General Meeting

Any Shareholder entitled to attend and vote at the general meeting shall have the right to appoint one or several persons (who may not be Shareholders) to act as his or her proxy to attend and vote at the meeting on his or her behalf.

The proxy(ies) so appointed by the Shareholder(s) may, pursuant to the instructions of the Shareholder(s), exercise the following rights:

- (1) the Shareholders' right to speak at the general meeting;
- (2) the right to demand a poll by himself/herself or jointly with others;
- (3) the right to exercise voting rights by a show of hands or by a poll, provided that where more than one proxy is appointed, the proxies may only exercise such voting rights by a poll.

The appointment of a proxy shall be in writing and signed by the appointing Shareholder or his/her attorney duly authorised in writing; where the appointing Shareholder is a legal person, such appointment shall be affixed with its seal or signed by its Director or attorney duly authorised.

The instrument of proxy shall be lodged at the address of the Company or at other places specified in the notice of meeting at least twenty-four (24) hours prior to the relevant meeting at which the proxy is authorized to vote, or within twenty-four (24) hours prior to the specified time of voting. Where the instrument of proxy is signed by a person authorized by the appointing shareholder, the power of attorney or other documents authorizing such person to sign the instrument of proxy shall be notarized. The notarized power of attorney or other authorization documents, together with the instrument of proxy, shall be lodged at the address of the Company or at other places specified in the notice of meeting.

Where the appointing shareholder is a legal person, its legal representative or the person authorized by the resolution of its board of directors or other governing bodies may attend the shareholders' general meetings of the Company as a representative of such appointing shareholder.

Any blank instrument of proxy or proxy form issued to a shareholder by the board of directors for the shareholder to appoint a proxy shall allow the shareholder to freely instruct the proxy to cast vote for, against or abstain from voting and enable the shareholder to give separate instructions on each matter to be voted at the meeting.

Such instrument of proxy shall contain a statement that in the absence of instructions from the shareholders, whether or not his proxy may vote at his discretion.

Where the appointing shareholder has deceased, lost capacity, revoked the appointment or the signed instrument of authorization prior to the voting, or the relevant shares have been transferred prior to the voting, a vote given in accordance with the terms of instrument of proxy shall remain valid as long as the Company did not receive a written notice of such event prior to the commencement of the relevant meeting.

Resolutions of Shareholders' General Meetings

Resolutions of the general meeting include ordinary resolutions and special resolutions.

Ordinary resolution at a general meeting shall be adopted by more than one half of the voting rights held by Shareholders (including their proxies) attending the general meeting.

Special resolution at a general meeting shall be adopted by more than two-thirds of the voting rights held by Shareholders (including their proxies) attending the general meeting.

Shareholders (including their proxies) who vote at a general meeting shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share. However, the shares held by the company itself do not have voting rights, and such shares are not included in the total number of shares with voting rights attending the general meeting of shareholders.

The following matters shall be resolved by way of ordinary resolutions at a general meeting:

- (1) work reports of the Board and the Supervisory Committee;
- (2) profit distribution plan and loss recovery plan formulated by the Board;
- (3) appointment and dismissal of the members of the Board and Supervisory Committee (employee-supervisors not included), and remuneration and payment methods thereof;
- (4) annual financial budget report, final accounts report of the Company, annual report of the Company;
- (5) matters other than those requiring approval by special resolutions in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed or the Articles of Association.

The following matters shall be resolved by way of special resolutions at a general meeting:

- (1) the increase or reduction of the Company's registered capital and the issuance of any class of shares, warrants and other similar securities;
- (2) issuance of corporate bonds;
- (3) division, merger, dissolution and liquidation of the Company or change in the corporate form of the Company;
- (4) amendments to the Articles of Association;
- (5) other matters stipulated by laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed or the Company's Articles of Association, and the general meeting of shareholders adopting ordinary resolutions that are considered to have a significant impact on the Company, requiring approval by special resolutions.

When any shareholders' general meeting considers matters related to connected transactions, if required by the applicable laws and regulations or the listing rules of the stock exchange where the Company's shares are listed, the connected shareholder shall not vote and the number of voting shares that he represents shall not be counted as part of the total number of valid votes.

Voting at general meetings shall be conducted by a show of hands, only when the chairman of the meeting make the decision on the principle of good faith, and on purely procedural or administrative matters. Other matters shall be voted by way of polls.

If the chairman of the meeting decides to vote on a show of hands, the general meeting shall vote on a show of hands unless a vote is demanded by the following persons before or after the show of hands:

- (1) chairman of the meeting;
- (2) at least two voting shareholders or proxies of voting shareholders;
- (3) one or more shareholders (including shareholder's proxy) holding more than 10% (including 10%) of the voting shares at the meeting shall be calculated separately or jointly.

If the chairman of the meeting decides to vote on a show of hands, unless a poll is proposed, the chairman of the meeting shall, on the basis of the result of the show of hands, announce the adoption of the proposal and record it in the minutes of the meeting as the final basis, without proving the number or proportion of votes for or against the resolution passed at the meeting.

The demand for a poll can be withdrawn by the proposer.

If the matter required to be voted by way of a poll relates to election of chairman or adjournment of meeting, a poll shall be conducted immediately; in respect of other matters required to be voted by way of a poll, the chairman may decide the time of a poll, and the meeting may proceed to consider other matters. The voting results shall still be deemed as resolutions passed at the said meeting.

When voting by a poll, Shareholders (including their proxies) entitled to two or more votes need not cast all their votes for or against in the same way.

When the number of votes against and in favour are equal, the chairman of the meeting shall be entitled to an additional vote.

Where applicable laws and regulations or the Listing Rules require any shareholder to abstain from voting on any particular resolution or being restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

SPECIAL PROCEDURES FOR VOTING OF CLASS SHAREHOLDERS

Shareholders holding different classes of shares shall be class Shareholders.

Class Shareholders shall enjoy the rights and assume the obligations in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association.

The Company shall not proceed to change or abrogate the rights of class Shareholders unless such proposed change or abrogation has been approved by way of a special resolution at a general meeting and by a separate shareholder meeting convened by the class Shareholders so affected in accordance with the Articles of Association.

With the approval of the securities regulatory authority under the State Council and with the consent of the Hong Kong Stock Exchange, the conversion of all or partial of the domestic investment shares into overseas listed foreign investment shares for listing and trading on overseas stock exchange(s) by domestic shareholders of the Company shall not be deemed as the Company's intention to vary or abrogate the rights of class shareholders.

The following circumstances shall be deemed as change or abrogation of the rights of a certain class shareholder:

- (1) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class' voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- (2) to change all or part of the shares of such class into shares of another class or to change all or part of the shares of another class into shares of that class or to grant relevant conversion rights;
- (3) to cancel or reduce rights to accrued dividends or cumulative dividends attached to shares of the said class;
- (4) to reduce or cancel rights attached to the shares of the said class to preferentially receive dividends or to receive distributions of assets in a liquidation of the Company;
- (5) to add, cancel or reduce share conversion rights, options, voting rights, transfer rights, pre-emptive placing rights, or rights to acquire securities of the Company attached to the shares of the said class;

- (6) to cancel or reduce rights to receive Company payables in a particular currency attached to the shares of the said class;
- (7) to create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of the said class;
- (8) to restrict the transfer or ownership of the shares of the said class or to impose additional restrictions;
- (9) to issue rights to subscribe for, or to convert into, shares of the said class or another class;
- (10) to increase the rights and privileges of the shares of another class;
- (11) to restructure the Company in such a way to cause Shareholders of different classes to undertake liabilities disproportionately during the restructuring;
- (12) to amend or cancel provisions in this chapter *Special Procedures for Voting of Class Shareholders*.

Shareholders of the affected class, whether or not with the rights to vote at general meetings originally, shall have the right to vote at shareholders' class meetings in respect of matters referred to in this Article items (2) to (8) and (11) to (12) above, except that interested shareholders shall not vote at such shareholders' class meetings.

The term interested shareholders in the preceding paragraph shall mean:

- (1) in case of a buy-back of shares by the Company by way of a general offer to all Shareholders in equal proportion or by way of open market transactions on a stock exchange where our shares are listed in accordance with the Articles of Association, the controlling shareholders as defined in the Articles of Association shall be the "interested shareholders";
- (2) in case of a buy-back of shares by the Company by an agreement outside the stock exchange where our shares are listed in accordance with Articles of Association, holders of shares in relation to such agreement shall be the "interested shareholders";
- (3) in case of a proposed restructuring of the Company, Shareholders who assume a relatively lower proportion of obligation than the obligations imposed on the other Shareholders of that class or who have an interest in the proposed restructuring that is different from the general interests in such proposed restructuring of the other Shareholders of that class shall be the "interested shareholders".

Resolution of a shareholders' class meeting shall be passed only by two-thirds or more of the total voting rights being held by the Shareholders of that class, who are entitled to do so, present and vote at the shareholders' class meeting in accordance with the Articles of Association.

When the Company is to convene a shareholders' class meeting, it shall issue a written notice fifteen (15) days prior to the date of such meeting informing all the shareholders who are registered as holders of that class in the register of shareholders of the matters to be considered at the meeting as well as the date and place of the meeting. If provisions otherwise provided by the listing rules of the stock exchange in the place where the Company's shares are listed, these provisions shall apply.

In the event that the number of the voting shares represented by the shareholders intending to attend the meeting is more than one half of the total number of voting shares of that class, the Company may convene a shareholders' class meeting. Otherwise, the Company shall within five (5) days notify the shareholders once again, by way of public announcement, of the matters to be considered at the meeting and the date and place of the meeting. Upon notification by public announcement, the Company may then proceed to convene the shareholders' class meeting.

The notice of a shareholders' class meeting shall be sent to the Shareholders entitled to vote at such meeting only.

The procedure of a shareholders' class meeting shall, to the extent possible, be identical with the procedure of a general meeting. Provisions of the Articles of Association relevant to procedure for the holding of a general meeting shall be applicable to a shareholders' class meeting, unless otherwise stipulated in the Articles of Association.

Except for other classes of Shareholders, domestic shareholders and foreign shareholders of listed shares are deemed as different classes of shareholders.

In the following circumstances, the special procedures for voting by class shareholders shall not apply:

- (1) with the approval by a special resolution at the general meeting, the Company issues Domestic Shares or overseas listed foreign shares alone or at the same time at each interval of 12 months and the number of the proposed Domestic Shares and overseas listed foreign shares does not exceed 20% of the respective outstanding shares of such class.
- (2) the Company has made the plans to issue Domestic Shares or overseas listed foreign shares at the time of incorporation and the implementation of such plan has been completed within 15 months from the date of approval by the securities regulatory authorities of the State Council.

- (3) transfer of Domestic Shares by domestic shareholder to foreign investors, or conversion of Domestic Shares by domestic shareholder to foreign Shares in part or in full, and such transferred or converted Shares are listed on overseas stock exchange as approved by the securities regulatory authority under the State Council and with the consent of the Stock Exchange.

DIRECTORS AND BOARD OF DIRECTORS

(1) Directors

The Company shall set aside a period of time before the relevant meeting is held on the nomination of candidates by shareholders to be Directors. Within such period, shareholders may give written notice to the Company on the nomination of candidates to be Directors, and the candidates may give written notice to the Company on their willingness to accept the nomination. The said period shall be at least seven (7) days, and the starting date shall not be earlier than the first date of the notice of the relevant meeting and the deadline for such period shall be no later than seven (7) days before the date of the relevant meeting.

Directors shall be elected and replaced at the general meeting and serve a term of three (3) years for each session. A director may serve consecutive terms if re-elected upon the expiry of his/her term.

The term of office of the Directors shall be counted from the date of appointment until the expiration of the term of the current Board of Directors. When the Directors' term expires and re-election not be held in time, or where the resignation of a director during his term of office causes the number of board members to be less than the quorum, the original Directors shall still perform their duties as Directors in accordance with laws, administrative regulations, departmental rules, the listing rules of the stock exchange where the Company's shares are listed and the Company's Articles of Association before the re-elected Directors take office.

Before the expiration of any Director's term of office, subject to the relevant laws and administrative regulations, the general meeting of shareholders may remove such Director by ordinary resolution. The removal may not affect any claim of the Director for damages that may be made pursuant to any contract.

The Directors need not hold any of our shares.

(2) Board of Directors

The Company shall have a board of directors which shall be accountable and report to the general meeting. The board of directors shall consist of twelve directors. The board of directors shall have a chairman. The chairman of the board shall be elected and removed by more than half of all directors, with a term of office of three years and may be re-elected.

The Board of Directors shall be accountable to the general meeting and exercise the following powers and duties:

- (1) to convene a general meeting and submit a work report to such meeting;
- (2) to implement the resolutions of a general meeting;
- (3) to decide on the operation plan and investment scheme of the Company;
- (4) to prepare the draft annual budget and final accounts of the Company;
- (5) to prepare the profit distribution plan and loss recovery plan of the Company;
- (6) to prepare the plan for the Company to increase or reduce its registered capital, issuance of bonds or other securities and listing plans;
- (7) to prepare plans for the material acquisitions, and to purchase the Company's shares pursuant to the Article 23 (1)(2) of the Articles of Association;
- (8) to prepare plans for the mergers, divisions, dissolution and changes of the corporate form of the Company;
- (9) to decide on the plan of the share repurchase and share disposal pursuant to the Article 23 (3)(5)(6) of the Articles of Association;
- (10) within the authorization of the general meeting, to decide the Company's external investment, purchase and sale of assets, mortgage of assets, external guarantee, entrustment to manage finance and connected transactions in accordance with the securities regulatory rules of the jurisdiction where the shares of the Company are listed;
- (11) to decide on the establishment of the internal management organisations of the Company, to decide the establishment and dissolution of the branches of the Company;
- (12) to appoint or dismiss the general manager and the secretary to the Board; to appoint or dismiss the senior management including the deputy general managers and the chief financial officer of the Company in accordance with the nominations made by general manager, and to decide on their remunerations;
- (13) to establish a basic management system of the Company;
- (14) to prepare plans to amend the Articles of Association;
- (15) to manage the information disclosure of the Company;

- (16) to propose the amount of Directors' remuneration and the scheme of payment method, and report to the general meeting for decision;
- (17) to make the proposal of engaging or replacing an accounting firm to the general meeting;
- (18) to hear the report by the general manager of the Company and review the work performance of the general manager;
- (19) to decide the policies on salaries, benefits, rewards and punishment and overall plan for the employees of the Company (except for those involving equity interests);
- (20) to exercise other powers and duties conferred by relevant laws, administrative regulations, departmental regulations, the listing rules of the stock exchange where our shares are listed or, the Articles of Association.

The board meeting can be held only when there are more than one half of the Directors attending the meeting.

Resolutions relating to the above, with the exception of items (6), (8) and (14) which shall be approved by not less than two-thirds of the Directors, shall be approved by not less than half of the Directors.

When the number of votes against and in favour are equal, the chairman of the Board of Directors shall be entitled to an additional vote.

Should the foregoing exercise of such functions and powers by the Board, or any transaction or arrangement of the Company be considered and reviewed by a general meeting according to the listing rules of the stock exchange(s) of the place(s) where the Company's shares are listed, such shall be submitted to the general meeting for consideration and review.

When the Board of Directors disposes assets, if the sum of the expected value of the fixed assets to be disposed of, and the amount or value of the cost received from the fixed assets of the Company disposed of within the four months immediately preceding this suggestion for disposal exceeds 33% of the value of fixed assets of the Company indicated on the latest balance sheet extracted from the audited consolidated financial statements submitted at the general meeting, the Board of Directors shall not dispose or agree to dispose such fixed assets without prior approval by the general meeting. A disposition of fixed assets includes certain acts of transfer of interests in assets but does not include the provision of fixed assets as security.

The validity of the transactions with respect to the disposal of fixed assets of the Company shall not be affected by the violation of the above restrictions contained in the Articles of Association.

SECRETARY OF THE BOARD

The Company has one secretary of the Board, which is appointed or dismissed by the Board of Directors. The secretary of the Board is considered as the senior management of the Company.

Directors or other senior management members may concurrently act as the secretary to the Board. The accountant of the accounting firm engaged by the Company or the management personnel of controlling shareholders shall not concurrently serve as the secretary of the Board of the Company.

Where the secretary to the Board concurrently act as a director, for an act which is required to be made by a director and the secretary to the Board separately, the person who concurrently acts as a director and the secretary to the Board may not perform the act in dual capacity.

GENERAL MANAGER

The Company has one general manager, which is appointed or removed by the Board of Directors. The Company has a number of deputy general managers, who are appointed or dismissed by the Board of Directors.

The general manager of the Company is accountable to the Board of Directors and shall exercise the following powers and duties:

- (1) to be in charge of managing the Company's production and operation and report to the Board of Directors;
- (2) to organise the implementation of resolutions of the Board of Directors;
- (3) to organise the implementation of annual operating plans, investment scheme, financing programme and entrustment wealth management plans of the Company;
- (4) to formulate annual budgets and final accounts of the Company as per the instructions of the Board of Directors;
- (5) to formulate the policies of employee's wages, benefits, rewards and punishment and the overall plans;
- (6) to formulate internal management organisation plan;
- (7) to formulate the setup plan of the Company's branches;
- (8) to formulate basic management system;

- (9) to formulate detailed rules of the Company;
- (10) to advise to the Board of Directors on the appointment or dismissal of the senior management other than the general manager and the Board secretary and advise on their remuneration, rewards and the punishment;
- (11) to appoint or dismiss senior management of the Company other than those to be appointed or dismissed by the Board of Directors;
- (12) other powers and duties prescribed by the Articles of Association and authorized by the Board of Directors.

The general manager may present at meetings of the Board of Directors, the general manager who is not a director shall have no voting rights at the meetings.

SUPERVISORY COMMITTEE

The Company shall establish a Supervisory Committee.

The Supervisory Committee consists of five members. The Supervisory Committee shall have a chairman. The term of officer of a Supervisor is three years. Upon expiration of the term of office, the Supervisors can be re-elected and re-appointed.

The Supervisory Committee shall have one chairman, which shall be appointed or dismissed by the votes of two thirds (two thirds inclusive) or more of the members of the Supervisory Committee.

The Supervisors shall be the representatives of shareholders and employees of the Company.

The employee representative Supervisor(s) shall be elected by the staff and workers congress, the representative staff and workers congress or other forms of democratic election.

The Supervisory Committee shall be accountable to the general meeting, and exercise the following powers and duties:

- (1) to examine the company's regular reports prepared by the Board of Directors and deliver the written opinion;
- (2) to review the financial position of the Company;
- (3) to supervise the performance of Directors and senior management members in fulfilling their duties to the Company, and propose dismissal of Directors and senior management members that have violated laws, administrative regulations and the Articles of Association or resolutions of the general meeting;

- (4) to demand rectification by Directors and senior management members of the Company when the acts of such persons are prejudicial to the Company's interest;
- (5) to review financial information such as financial reports, business reports, and profit distribution plans as proposed by the Board to the general meetings, and to engage certified public accountants and practising auditors to assist with further examination in the name of the Company if there are any queries;
- (6) to propose the convening of an extraordinary general meeting and convene and preside over the shareholders' meeting when the Board of Directors fails to perform such duties provided by the Company Law;
- (7) to submit proposals to shareholders' general meetings;
- (8) to negotiate with Directors on behalf of the Company or initiate litigations against Directors and senior management members;
- (9) to conduct investigation in case of any abnormality found in the operation of the Company; and if necessary, to retain at the expense of the Company such agencies as certified accounting firm or law firm for the purpose of the investigation;
- (10) other duties and powers conferred by laws, administrative regulations and the Articles of Association.

Resolution of the Board of Supervisors shall require approval from two-thirds of the Supervisors.

The Company shall not, directly or indirectly, provide loans or loan guarantees to directors, supervisors and senior management members of the Company or its controlling shareholders, or to the related parties thereof.

The preceding paragraph does not apply to the following circumstances:

- (1) where the Company provides loans to its subsidiaries or provides loan guarantees for its subsidiaries;
- (2) where the Company, in accordance with the contracts of appointment as approved by the general meeting of shareholders, provides loans, loan guarantees or other funds for directors, supervisors and senior managers for payments made on behalf of the Company or for payments or expenses incurred in the performance of their duties; and

- (3) where the scope of the Company's normal business operations include provision of loans and loan guarantees, the Company may provide loans and loan guarantees for its directors, supervisors and senior management members and to their related parties; however, such provision of loans or loan guarantees shall be under normal business conditions.

FINANCE AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with relevant laws and administrative regulations and PRC accounting standards formulated by the competent financial authorities under the State Council.

The Company shall prepare a financial report at the end of each financial year, and such financial report shall be audited in compliance with laws.

Any financial report shall be prepared in accordance with the PRC accounting standards and regulations, and also in accordance with either international accounting standards or those of the place outside the PRC where the Company's shares are listed. If there are significant discrepancies in the above two standards financial reports, the notes shall be added in the financial report. As to the distribution of after-tax profits of the Company in a financial year, the after-tax profits indicated on the two financial reports, whichever is lower shall prevail.

The interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations at the same time as well as international accounting standards or the accounting standards of the overseas area in which the shares are listed.

The financial report of the Company shall be kept at the Company and shall be made available to the Shareholders twenty (20) days before the annual general meeting is held. Each Shareholder shall have the right to obtain the financial report mentioned in this chapter.

The Company shall deliver the report of the Board, together with the balance sheet (including each document required to be attached thereto in accordance with the laws and administrative regulations of the PRC or others), profit and loss account or income and expenditure statement, or the summary of financial reports to each holder of overseas-listed foreign shares at least 21 days before the annual general meeting by postage-paid mail or other means (including through posting at the Company website and/or newspapers) permitted by the laws, administrative regulations, departmental rules, normative documents and the listing rules of the stock exchange where the Company's shares are listed, at the recipient's address as registered in the shareholders register.

The Company shall publish two financial reports in each financial year; the interim financial report shall be published within sixty (60) days after the end of the first six months of a financial year; the annual financial report shall be published within one hundred and twenty (120) days after the end of the financial year.

The Company may distribute dividends in one of the following forms:

- (1) Cash;
- (2) Shares.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved and liquidated according to laws in any of the following circumstances:

- (1) the term of business of the Company stipulated in the Articles of Association has expired or occurrence of any other trigger for dissolution stipulated in the Articles of Association;
- (2) the resolution of general meeting has resolved to dissolve the Company;
- (3) merger or division of the Company requires a dissolution;
- (4) the Company is declared bankrupt in accordance with the law because it is unable to pay its debts as they fall due;
- (5) the business licence is revoked in accordance with the law and administrative regulations or the Company is ordered to close or is cancelled;
- (6) 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.

Where the Company is dissolved under the circumstances set out in items (1), (2) and (6), the Company shall establish a liquidation committee to start liquidation within fifteen (15) days from the date the cause of dissolution occurred. The composition of the liquidation committee shall be determined by the directors or the general meeting. If a liquidation group fails to be established within the limited time for liquidation, the creditor may apply to the People's Court for appointing relevant personnel to form a liquidation group for liquidation.

In the event that the Company is dissolved in accordance with the provisions set forth in (4) above, the people's court shall organise the shareholders, related agencies and professional to form the liquidation group pursuant to relevant provisions of the law. In the event that the Company is dissolved in accordance with the provisions set forth in (5) above, the relevant competent authorities shall organise the shareholders, related agencies and professionals to form the liquidation group for liquidation.

Where the Board resolves to liquidate the Company for any reason other than bankruptcy, the Board shall include a statement in its notice convening a general meeting to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company shall be able to pay its debts in full within twelve months from the commencement of the liquidation.

The Board shall lose its powers immediately after the resolution for liquidation is passed at the general meeting. The liquidation committee shall act in accordance with instructions of the general meeting and make a report at least once every year to the general meeting on the committee's income and expenses, the business of the Company and the progress of the liquidation; and present a final report to the general meeting upon completion of the liquidation.

The liquidation committee shall notify all creditors within ten (10) days after its establishment and shall publish announcements in newspapers within sixty (60) days.

Upon liquidation for the purpose of company dissolution, after the liquidation committee has sorted out the assets of the Company and prepared a balance sheet and a property inventory, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall immediately apply to the People's Court to declare the Company bankrupt.

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 People's Court.

After completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report, a statement of revenue and expenditure and financial account books in respect of the liquidation period and, after verification thereof by an accountant registered in China, submit the same to the general meeting or the People's Court. Within thirty (30) days from the date of confirmation of the aforementioned documents by the general meeting or the People's Court, the liquidation committee shall deliver the same to the Company registration authority, apply for cancellation of the Company's registration and publicly announce the Company's dissolution.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company may amend the Articles of Association pursuant to laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association.

The amendment of the Articles of Association shall be subject to relevant decision-making procedures and go through necessary formalities in accordance with the provisions of relevant laws, administrative regulations and the Articles of Association. If an amendment to these Articles of Association involves a registered particular of the Company, registration of the change shall be carried out in accordance with the law.

TAXATION OF SECURITY HOLDERS

The following summary of certain Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the H Shares is based upon the laws, regulations, rules and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the H Shares and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules, which does not and shall not be deemed as constituting a legal or taxation suggestion. Prospective investors should consult their own tax advisers concerning the application of Hong Kong and PRC tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the shares arising under the laws of any other taxing jurisdiction.

The taxation of the Company and that of the Shareholders is described below, where Hong Kong and PRC tax laws are discussed respectively. These are merely an outline implication of such laws. It should not be assumed that the relevant tax authorities or the PRC or Hong Kong courts will accept or agree with the explanations or conclusions that are set out below.

Investors should note that the following statements are based on advice received by the Company regarding taxation laws, regulations and practice in force as at the date of this Prospectus, which may be subject to change.

OVERVIEW OF TAX IMPLICATIONS OF PRC**Taxation on Dividends***Individual Investors*

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “IIT Law”), which was last amended on August 31, 2018 and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant 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 issuing 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 treaties, 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%.

According to the Notice on Issues concerning the Implementation of Differential 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》) (Cai Shui [2015] No. 101) issued by the MOF on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the dividend incomes shall be exempted from personal income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, 50% of the dividend income shall be included into the taxable incomes. The individual income tax rate on the aforesaid income is imposed at the uniform rate of 20%. In practice, the withholding rate on non-resident individuals' dividends may be lower than 20% in certain circumstances.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of

tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the“EIT Law”), which came into effect as of January 1, 2008 and was last amended on December 29, 2018, and the Implementation provisions for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which came into effect as of January 1, 2008 and was last amended on April 23, 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected to such establishment or place in the PRC. The aforesaid income tax may be reduced pursuant to applicable treaties to avoid double taxation. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular of the SAT on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》, Guo Shui Han [2008] No. 897) which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H Shares for 2008 and subsequent years. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局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》, Guo Shui Han [2009] No. 394) which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, PRC Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax

shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家稅務總局關於〈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 states that such provisions shall not apply to those arrangements or transactions, of which the main purpose includes gaining such tax benefit. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the SAT on the Issues Concerning the Implementation of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》, Guo Shui Han [2009] No. 81).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to VAT (《關於全面推開營業稅改徵增值稅試點的通知》, Cai Shui [2016] No. 36, “Circular 36”), effective from May 1, 2016, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and sales of services within the PRC refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempt from VAT upon transfer of financial products. Meanwhile, VAT taxpayers are also subject to urban maintenance and construction tax, education surcharge and local education surcharge (collectively, “local surcharges”), which is usually at 12% of the VAT payable, if any.

Income Tax***Individual Investors***

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to the individual income tax at a rate of 20%. Pursuant to the Circular of the MOF and the SAT on Declaring that Individual Income Tax Continues to be Exempted over Individual Income from Transfer of Shares (《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》) issued by the MOF and the SAT on March 20, 1998, from January 1, 1997, income of individuals from the transfer of shares of listed enterprises shall continue to be exempted from individual income tax. 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》) which states that individuals' income from the transfer of listed shares on Shanghai Stock Exchange or Shenzhen Stock Exchange shall continue to be exempted from 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 (《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》) jointly issued by the three aforementioned authorities on November 10, 2010.

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 listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect income tax from non-PRC resident individuals on gains from the sale of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices, which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H Share.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income does not have actual connection with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or exempted pursuant to relevant treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) effective as of October 1, 1988, amended on January 8, 2011 and replaced by Stamp Duty Law (《中華人民共和國印花稅法》) promulgated June 10, 2021 and effective as of July 1, 2022, and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) effective as of October 1, 1988, PRC stamp duty only applies on specific proof executed or received within the PRC and legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

Enterprise Income Tax

Pursuant to EIT Law and its implementation provisions, enterprises and other organizations which generate income within the PRC are enterprise income tax payers and shall pay enterprise income tax at a tax rate of 25%. Meanwhile, pursuant to EIT Law, qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20% and the income from agriculture, forestry, animal husbandry and fisheries may be entitled to exemption or reduction of enterprise income tax.

Pursuant to Announcement of the SAT on Issues Relating to Enterprise Income Tax Pertaining to Implementation of the Catalog of Encouraged Industries in Western Region (《國家稅務總局關於執行<西部地區鼓勵類產業目錄>有關企業所得稅問題的公告》) (State Administration of Taxation Announcement [2015] No. 14), enterprises established in the Western region whose principal activities are newly-added encouraged industry projects stipulated in the catalog of Encouraged Industries in Western Region and whose income from principal activities in the current year constitutes 70% and above of their total income may, with effect from October 1, 2014, pay enterprise income tax based on the reduced tax rate of 15%.

Value-added Tax

Pursuant to Provisional Regulations of the People's Republic of China on Value-added Tax (《增值稅暫行條例》) (“VAT Regulations”) and Implementation Rules for the Provisional Regulations the People's Republic of China on Value-added Tax (《增值稅暫行條例實施細則》) (“VAT Implementation Rules”), entities and individuals that sell goods or labor services of processing, repair or replacement, sales, intangible assets, real estates, or import goods within the territory of the PRC are taxpayers of value-added tax (“VAT”), and shall pay VAT in accordance with these Regulations. Unless otherwise provided for by law, the VAT rate is: 17%, for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11%, for taxpayers selling transportation, postal, basic

telecommunications, construction, or real estates leasing services, selling real estates, transferring the rights to use land, or selling or importing specific goods; 6%, for taxpayers selling services or intangible assets; zero, for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; and zero, for export, (except as otherwise specified by the State Council).

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (promulgated by the MOF and the SAT on March 23, 2016, came into effect on May 1, 2016 and as amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively), the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》) (“cai shui [2018] No. 32”, promulgated on April 4, 2018 and came into effect on May 1, 2018, by the MOF and the SAT), where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% tax rates are lowered to 16% and 10% respectively.

Pursuant to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (promulgated by the MOF, the SAT and the General Administration of Customs of the PRC on March 20, 2019 and came into effect on April 1, 2019) (“Circular 39”), tax rates of the VAT on sales and imported goods that were previously subject to 16% and 10% were adjusted to 13% and 9% respectively.

OVERVIEW OF TAX IMPLICATIONS OF HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains

rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

TAXATION OF OUR COMPANY IN HONG KONG

Our Directors do not consider that any of our Company's income is derived from or arises in Hong Kong for the purpose of Hong Kong taxation. Our Company will therefore not be subject to Hong Kong taxation on income not sourced from or derived from Hong Kong.

FOREIGN EXCHANGE CONTROL IN THE PRC

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange controls and cannot be freely converted into foreign currency. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (the “Foreign Exchange Administration Regulations”), which was promulgated by the State Council on January 29, 1996 and came into effect since 1 April 1996, the Foreign Exchange Administration Regulations classify all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. The Foreign Exchange Administration Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and came into effect on August 5, 2008. The latest amendment to the Foreign Exchange Administration Regulations clearly states that PRC will not impose any restriction on international current payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the “**Settlement Regulations**”), which became effective on July 1, 1996. The Settlement Regulations do not impose any restrictions on convertibility of foreign exchange under current items, while imposes restrictions on foreign exchange transactions under capital items.

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 foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. 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’ meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carry foreign exchange business or institutions that carry settlement and sale business.

The Decisions of the State Council on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council on October 23, 2014 has canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the SAFE’s local branch at the place of its incorporation; and the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

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 (《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》) (Hui Fa [2015] No. 13), which came into effect on June 1, 2015. The notice has cancelled the confirmation of foreign exchange registration under domestic direct investment and the confirmation 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 offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《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》) (Hui Fa [2016] No. 16) issued by the SAFE on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

The history of our Company dates back to October 12, 2002 when Chongqing Hongjiu Fruit Company Limited (重慶洪九果品有限公司) was established. On April 26, 2013, upon approval by Chongqing Administration for Industry and Commerce, Chongqing Hongjiu Fruit Company Limited (重慶洪九果品有限公司) was restructured into a joint-stock company and was renamed as Chongqing Hongjiu Fruit Co., Limited (重慶洪九果品股份有限公司). Our registered office is located at 509-36 Industry Incubator Building, Baiyan Group of Chengnan Residential Committee, Nanbin Town, Shizhu Tujia Autonomous County, Chongqing, PRC.

We have established a place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, and has registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 23, 2021. Ms. Lai Siu Kuen has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to 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 Appendices IV and V to this Prospectus respectively.

B. Changes in the Share Capital of Our Company

At the time of our establishment, the registered capital of our Company was RMB5,000,000, divided into 5,000,000 Shares with a nominal value of RMB1.00 each. Save as disclosed below, there has been no alteration in our share capital within two years immediately preceding the date of this Prospectus.

As approved at our Company's extraordinary general meeting of shareholders in 2019 dated October 8, the registered share capital of our Company was increased from RMB116,373,521 to RMB131,629,892 by issuing and allotting 15,256,371 new Domestic Shares with a nominal value of RMB1.00 each to six new investors. The industrial and commercial registration of the same was completed on November 11, 2019.

As approved at our Company's extraordinary general meeting of shareholders in 2020 dated March 12, the registered share capital of our Company was increased from RMB131,629,892 to RMB137,480,109 by issuing and allotting 5,850,217 new Domestic Shares with a nominal value of RMB1.00 each to one new investor. The industrial and commercial registration of the same was completed on March 23, 2020.

As approved at our Company's extraordinary general meeting of shareholders in 2020 dated March 27, the registered share capital of our Company was increased from RMB137,480,109 to RMB138,942,663 by issuing and allotting 1,462,554 new Domestic Shares with a nominal value of RMB1.00 each to one new investor. The industrial and commercial registration of the same was completed on March 30, 2020.

As approved at our Company's fourth extraordinary general meeting of shareholders in 2020 dated September 18, the registered share capital of our Company was increased from RMB138,942,663 to RMB151,024,634 by issuing and allotting 12,081,971 new Domestic Shares with a nominal value of RMB1.00 each to one new investor. The industrial and commercial registration of the same was completed on September 24, 2020.

As approved at our Company's fifth extraordinary general meeting of shareholders in 2020 dated December 15, our Company's capital reserve of RMB302,049,268 was transferred to all shareholders by 2 new Domestic Shares for every 1 existing Domestic Share held, and the registered share capital of our Company was increased from RMB151,024,634 to RMB453,073,902. The industrial and commercial registration of the same was completed on December 22, 2020.

Upon completion of the Global Offering, but without taking into account any exercise of the Over-allotment Option, our registered capital will increase to RMB467,086,402, comprising 156,557,407 Domestic Shares and 310,528,995 H Shares fully paid up, representing approximately 33.52% and 66.48% of our registered capital, respectively.

C. Shareholders' Resolutions

Pursuant to the Shareholders' meeting held on September 6, 2021 and the authorization obtained thereunder, the following resolutions, among others, were duly passed:

- (a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Stock Exchange;
- (b) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares; and
- (c) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on Listing Date.

D. Further Information about Our Principal Subsidiaries

The following table sets forth the details of our subsidiaries as of the Latest Practicable Date.

No.	Name	Date of establishment	Place of establishment	Registered capital	Percentage of equity interest/share capital held by our Company	Principal business activities
1.	Chongqing Runjiu Supply Chain Management Co., Ltd. (重慶潤九供應鏈管理有限公司) (“ Chongqing Runjiu ”)	February 24, 2014	PRC	RMB5.0 million	65.00% ⁽¹⁾	Customs declaration and inspection declaration agent; logistics transportation
2.	Chongqing Xinhongjiu Supply Chain Management Co., Ltd. (重慶新洪九供應鏈管理有限公司)	December 25, 2015	PRC	RMB10.0 million	100%	Supply and sale for online e-commerce and community group buying
3.	Niran International Trading Company Limited (“ Niran International ”)	May 18, 2017	Thailand	Thai Baht 139,152,800	99.24% ⁽²⁾	Procurement, pre-processing and export of fruits in Thailand
4.	Green Fruit Holdings Company Limited (“ Green Fruit ”)	April 3, 2018	Thailand	Thai Baht 5.0 million	49.00% ⁽³⁾	Factory rental
5.	Yuelaimei Import & Export Co., Ltd	May 19, 2017	Vietnam	82,685,000,000 Vietnamese Dong	100%	Procurement, pre-processing and export of fruits in Vietnam
6.	Hongjiu Fruta Import & Export SpA (“ Hongjiu Fruta ”)	August 9, 2017	Chile	US\$50,000	100%	Procurement, pre-processing and export of fruits in Chile ⁽⁵⁾
7.	Hong Nine Philippine Fruit Inc. (“ Hong Nine ”)	November 4, 2020	Philippines	Philippine Peso 6.25 million	99.50% ⁽⁴⁾	Procurement, pre-processing and export of fruits in Philippine ⁽⁶⁾

Notes:

- (1) Chongqing Runjiu was owned as to 65% and 35% by our Company and Chongqing Runchuang International Logistics Transportation Co., Ltd., an Independent Third Party (other than being a substantial shareholder of Chongqing Runjiu), respectively.
- (2) Niran International was owned as to 99.24%, 0.54% and 0.22% by our Company, Mr. Rungrueang Wiromrat and Mr. Thawee Saewang respectively. Mr. Rungrueang Wiromrat was the director of Niran International and Mr. Thawee Saewang was the director of Green Fruit.
- (3) Green Fruit was owned as to 49.00%, 25.50% and 25.50% by Niran International (a non-wholly owned subsidiary of our Company), Mr. Thawee Saewang and Mr. Rungrueang Wiromrat, respectively. Despite not holding majority shareholding in Green Fruit, our Company has majority voting power of Green Fruit in accordance with the articles of association of Green Fruit. Therefore, our Company has control over Green Fruit and Green Fruit was accounted for as a subsidiary of our Company as of the Latest Practicable Date.

- (4) Hong Nine was owned as to 99.50% by our Company and the remaining equity interest was owned as to 0.10%, 0.10%, 0.10%, 0.10% and 0.10% by Jessie O. Aquino, Donna Olive S. Monta, Dometila O. Aquino, Edwin O. Aquino and Nenita C. Tomamac respectively, each of whom is a director of Hong Nine Philippine Fruit Inc..
- (5) Hongjiu Fruta had no actual operations since the date of its incorporation and up to the Latest Practicable Date.
- (6) Hong Nine had no actual operations since the date of its incorporation and up to the Latest Practicable Date.

Details of the establishment of our Company's subsidiaries or the changes in the share capital of our Company's subsidiaries within the two years immediately preceding the date of this Prospectus are set out below:

- (a) on November 4, 2020, Hong Nine was established in the Philippines with registered capital of Philippine Peso 100.0 million;
- (b) on June 14, 2021, the registered capital of Hongjiu Fruta was decreased from US\$2,000,000 to US\$50,000; and
- (c) on December 22, 2021, the registered capital of Hong Nine was decreased from Philippine Peso 100.0 million to Philippine Peso 6.25 million.

Save as set out above, there has been no alteration in the share capital of the subsidiaries of our Company within two years immediately preceding the date of this Prospectus.

Save as set out above, so far as is known to any Director or chief executive of our Company, as of the Latest Practicable Date, no person is directly or indirectly interested in 10% or more of the issued voting shares of the subsidiaries of our Company.

E. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to the section headed "Appendix IV — Summary of the Articles of Association" in this Prospectus.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contract(s) (not being contracts entered into in the ordinary course of business) within two years preceding the date of this Prospectus, which is or may be material:

- (a) a share subscription agreement dated September 19, 2020 entered into amongst our Company, Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司), Deng Hongjiu (鄧洪九), Jiang Zongying (江宗英), Yu Wenli (余文莉), Huang Ke (黃可), Yang Junwen (楊俊文), Xiang Min (向敏), Zhang Zhongwei (張中偉), Lv Zongjie (呂宗杰), Zhou Xiansheng (周先勝), Luo Xiaoqin (羅曉芹), Yu Lixia (余利霞), Peng He (彭何), Tan Bo (譚波), Jiang Qinghui (江清會), Chongqing Heli Hongjiu Commerce Center (Limited Partnership) (重慶合利洪九商貿中心(有限合夥)), Chongqing Hezhong Hongjiu Commerce Center (Limited Partnership) (重慶合眾洪九商貿中心(有限合夥)) (collectively, the “**Parties to the Alibaba Share Subscription Agreement**”), pursuant to which Alibaba (China) Network Technology Co., Ltd. agreed to subscribe for 12,081,971 new Shares of our Company at a total consideration of RMB591,303,743;
- (b) a shareholders’ agreement dated September 19, 2020 entered into amongst (1) the Parties to the Alibaba Share Subscription Agreement as referred to in paragraph (a) above and (2) Zhenjiang Fenghui Hongjiu Investment Fund Management Center (Limited Partnership) (鎮江豐會洪九投資基金管理中心(有限合夥)), Zhenjiang Fenghui Lianhe Yihao Investment Fund Management Center (Limited Partnership) (鎮江豐會聯合壹號投資基金管理中心(有限合夥)), Zhenjiang Fenghui Joint Investment Fund Management Center (Limited Partnership) (鎮江豐會聯合投資基金管理中心(有限合夥)), Chongqing Jiuyuxian Commerce and Trading Partnership (Limited Partnership) (重慶九羽仙商貿合夥企業(有限合夥)), Hefei Zhongan Runxin Fund Investment Partnership (Limited Partnership) (合肥中安潤信基金投資合夥企業(有限合夥)), Beijing Weicheng Xinde Decoration and Engineering Co., Ltd. (北京唯誠信德裝飾工程有限公司), Gongqingcheng Fengsheng Yihao Investment Center (Limited Partnership) (共青城豐盛壹號投資中心(有限合夥)), Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) (重慶逸百年現代農業股權投資基金合夥企業(有限合夥)), Li Xia (李霞), Sunshine Life Insurance Co., Ltd. (陽光人壽保險股份有限公司), China Agricultural Reclamation Industry Development Fund (Limited Partnership) (中國農墾產業發展基金(有限合夥)), Zhuhai Wanheng Express Investment Center (Limited Partnership) (珠海萬亨運通投資中心(有限合夥)), Hainan Agricultural Reclamation Agriculture Industry Investment Fund (Limited Partnership) (海南農墾農業產業投資基金(有限合夥)), Suzhou Zhilan Equity Investment Center (Limited Partnership) (蘇州致藍股權投資中心(有限合夥)), Zhuhai Jinyiming Equity Investment Fund Partnership (Limited Partnership) (珠海金鑑銘股權投資基金合夥企業(有限合夥)), Jiaxing Capitallink Anjing Investment Partnership (Limited Partnership) (嘉興凱聯安靖投資合夥企業(有限合夥)), Suzhou Yingqi Fund Management Partnership (Limited Partnership) (蘇州盈啟基金管理合夥企業(有限合夥)), Tianjin Weixiang Investment Management Co., Ltd. (天津瑋祥投資管理有限公司), Shanghai Jinshun Real Estate Co., Ltd. (上海金順房地產有限公司), Ningbo Tianshi Renhe Equity Investment Partnership (Limited Partnership) (寧波天時仁合股權投資合夥企業(有限合夥)) and Nanjing Chuangding Minghe Equity Investment Partnership (Limited Partnership) (南京創鼎銘和股權投資合夥企業(有限合夥)), pursuant to which certain shareholders’ rights were granted to Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司);

- (c) a shareholders' agreement dated December 15, 2020 entered into amongst Deng Hongjiu (鄧洪九), Jiang Zongying (江宗英), Deng Haoyu (鄧浩宇), Deng Haoji (鄧浩吉), Yu Wenli (余文莉), Huang Ke (黃可), Yang Junwen (楊俊文), Xiang Min (向敏), Zhang Zhongwei (張中偉), Lv Zongjie (呂宗杰), Zhou Xiansheng (周先勝), Luo Xiaoqin (羅曉芹), Yu Lixia (余利霞), Peng He (彭何), Tan Bo (譚波), Jiang Qinghui (江清會), Chongqing Heli Hongjiu Commerce Center (Limited Partnership) (重慶合利洪九商貿中心(有限合夥)), Chongqing Hezhong Hongjiu Commerce Center (Limited Partnership) (重慶合眾洪九商貿中心(有限合夥)), Zhenjiang Fenghui Hongjiu Investment Fund Management Center (Limited Partnership) (鎮江豐會洪九投資基金管理中心(有限合夥)), Zhenjiang Fenghui Lianhe Yihao Investment Fund Management Center (Limited Partnership) (鎮江豐會聯合壹號投資基金管理中心(有限合夥)), Zhenjiang Fenghui Joint Investment Fund Management Center (Limited Partnership) (鎮江豐會聯合投資基金管理中心(有限合夥)), Chongqing Jiuyuxian Commerce and Trading Partnership (Limited Partnership) (重慶九羽仙商貿合夥企業(有限合夥)), Hefei Zhongan Runxin Fund Investment Partnership (Limited Partnership) (合肥中安潤信基金投資合夥企業(有限合夥)), Beijing Weicheng Xinde Decoration and Engineering Co., Ltd. (北京唯誠信德裝飾工程有限公司), Gongqingcheng Fengsheng Yihao Investment Center (Limited Partnership) (共青城豐盛壹號投資中心(有限合夥)), Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) (重慶逸百年現代農業股權投資基金合夥企業(有限合夥)), Li Xia (李霞), Sunshine Life Insurance Co., Ltd. (陽光人壽保險股份有限公司), China Agricultural Reclamation Industry Development Fund (Limited Partnership) (中國農墾產業發展基金(有限合夥)), Zhuhai Wanheng Express Investment Center (Limited Partnership) (珠海萬亨運通投資中心(有限合夥)), Hainan Agricultural Reclamation Agriculture Industry Investment Fund (Limited Partnership) (海南農墾農業產業投資基金(有限合夥)), Suzhou Zhilan Equity Investment Center (Limited Partnership) (蘇州致藍股權投資中心(有限合夥)), Zhuhai Jinyiming Equity Investment Fund Partnership (Limited Partnership) (珠海金鑑銘股權投資基金合夥企業(有限合夥)), Jiaxing Capitallink Anjing Investment Partnership (Limited Partnership) (嘉興凱聯安靖投資合夥企業(有限合夥)), Suzhou Yingqi Fund Management Partnership (Limited Partnership) (蘇州盈啟基金管理合夥企業(有限合夥)), Tianjin Weixiang Investment Management Co., Ltd. (天津瑋祥投資管理有限公司), Shanghai Jinshun Real Estate Co., Ltd. (上海金順房地產有限公司), Ningbo Tianshi Renhe Equity Investment Partnership (Limited Partnership) (寧波天時仁合股權投資合夥企業(有限合夥)), Nanjing Chuangding Minghe Equity Investment Partnership (Limited Partnership) (南京創鼎銘和股權投資合夥企業(有限合夥)), Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), Chongqing Yeruhongtu Innovation Equity Investment Fund Partnership (Limited Partnership) (重慶業如紅土創新股權投資基金合夥企業(有限合夥)), Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) and our Company (collectively, the **“Parties to the Shareholders' Agreement”**), in relation to the termination of certain special rights of the Pre-IPO Investors;










- (d) a shareholders' agreement (the “**2021 Shareholders' Agreement**”) dated January 28, 2021 entered into amongst the Parties to the Shareholders' Agreement as referred to in paragraph (c) above, in relation to the termination of certain special rights of the Pre-IPO Investors;
- (e) the first supplemental agreement (the “**First Supplemental Agreement**”) to the 2021 Shareholders' Agreement dated April 15, 2021 entered into amongst the Parties to the Shareholders' Agreement as referred to in paragraph (c) above, in relation to the termination of certain special rights of the Pre-IPO Investors;
- (f) the second supplemental agreement to the 2021 Shareholders' Agreement and the First Supplemental Agreement dated September 6, 2021 entered into amongst Deng Hongjiu (鄧洪九), Jiang Zongying (江宗英), Deng Haoyu (鄧浩宇), Deng Haoji (鄧浩吉), Yu Wenli (余文莉), Huang Ke (黃可), Yang Junwen (楊俊文), Xiang Min (向敏), Zhang Zhongwei (張中偉), Lv Zongjie (呂宗杰), Zhou Xiansheng (周先勝), Luo Xiaoqin (羅曉芹), Yu Lixia (余利霞), Peng He (彭何), Tan Bo (譚波), Jiang Qinghui (江清會), Chongqing Heli Hongjiu Commerce Center (Limited Partnership) (重慶合利洪九商貿中心(有限合夥)), Chongqing Hezhong Hongjiu Commerce Center (Limited Partnership) (重慶合眾洪九商貿中心(有限合夥)), Zhenjiang Fenghui Hongjiu Investment Fund Management Center (Limited Partnership) (鎮江豐會洪九投資基金管理中心(有限合夥)), Zhenjiang Fenghui Lianhe Yihao Investment Fund Management Center (Limited Partnership) (鎮江豐會聯合壹號投資基金管理中心(有限合夥)), Zhenjiang Fenghui Joint Investment Fund Management Center (Limited Partnership) (鎮江豐會聯合投資基金管理中心(有限合夥)), Chongqing Jiuyuxian Commerce and Trading Partnership (Limited Partnership) (重慶九羽仙商貿合夥企業(有限合夥)), Hefei Zhongan Runxin Fund Investment Partnership (Limited Partnership) (合肥中安潤信基金投資合夥企業(有限合夥)), Beijing Weicheng Xinde Decoration and Engineering Co., Ltd. (北京唯誠信德裝飾工程有限公司), Gongqingcheng Fengsheng Yihao Investment Center (Limited Partnership) (共青城豐盛壹號投資中心(有限合夥)), Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) (重慶逸百年現代農業股權投資基金合夥企業(有限合夥)), Li Xia (李霞), Sunshine Life Insurance Co., Ltd. (陽光人壽保險股份有限公司), China Agricultural Reclamation Industry Development Fund (Limited Partnership) (中國農墾產業發展基金(有限合夥)), Chongqing Tengrong Enterprise Management Partnership (Limited Partnership) (重慶騰榮企業管理合夥企業(有限合夥)), Hainan Agricultural Reclamation Agriculture Industry Investment Fund (Limited Partnership) (海南農墾農業產業投資基金(有限合夥)), Suzhou Zhilan Equity Investment Center (Limited Partnership) (蘇州致藍股權投資中心(有限合夥)), Zhuhai Jinyiming Equity Investment Fund Partnership (Limited Partnership) (珠海金鎰銘股權投資基金合夥企業(有限合夥)), Jiaying Capitallink Anjing Investment Partnership (Limited Partnership) (嘉興凱聯安靖投資合夥企業(有限合夥)), Suzhou Yingqi Fund Management Partnership (Limited Partnership) (蘇州盈啟基金管理合夥企業(有限合夥)), Tianjin Weixiang Investment Management Co., Ltd. (天津瑋祥投資管理有限公司), Minli (Shanghai) Enterprise Development Co., Ltd. (敏利(上海)企業發展有限公司), Ningbo Tianshi Renhe Equity Investment Partnership (Limited Partnership) (寧波天時仁合股權投資合夥企業(有限合夥)), Nanjing Chuangding Minghe Equity Investment Partnership (Limited Partnership) (南京創鼎銘和股權投資合夥企業(有限合夥)), Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), Chongqing Yeruhongtu Innovation Equity Investment Fund Partnership (Limited Partnership) (重慶業如紅土創新股權投資基金合夥企業(有限合夥)), Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) and our Company, in relation to the termination of certain special rights of the Pre-IPO Investors;























- (g) a cornerstone investment agreement dated August 22, 2022 entered into amongst our Company, GF Global Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and UBS AG Hong Kong Branch, details of which are included in the section headed “Cornerstone Investors” in this Prospectus;
- (h) a cornerstone investment agreement dated August 22, 2022 entered into amongst our Company, China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司), China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and UBS AG Hong Kong Branch, details of which are included in the section headed “Cornerstone Investors” in this Prospectus; and
- (i) Hong Kong Underwriting Agreement.




B. Our Material Intellectual Property Rights

Trademarks



As of the Latest Practicable Date, our Group has registered the following key trademarks in the PRC which are material to the business of our Group:

No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date
1	月牙铲	our Company	49551109	31	June 6, 2031
2		our Company	49117181	26	June 6, 2031
3		our Company	49126955	5	June 6, 2031
4		our Company	49143320	11	May 20, 2031
5		our Company	49143531	34	May 20, 2031
6	全果链	our Company	47587777	42	May 6, 2031
7		our Company	49099666	35	May 6, 2031
8		our Company	49077749	31	May 6, 2031
9		our Company	49125515	2	April 27, 2031
10		our Company	49105900	42	April 20, 2031
11		our Company	49136770	18	April 6, 2031
12		our Company	49117523	41	April 6, 2031

No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date
13		our Company	49094979	32	April 6, 2031
14		our Company	49142320	45	April 6, 2031
15		our Company	49137317	8	April 6, 2031
16		our Company	49136858	28	April 6, 2031
17		our Company	49136823	23	April 6, 2031
18		our Company	49133544	40	April 6, 2031
19		our Company	49131801	1	April 6, 2031
20		our Company	49130535	15	March 27, 2031
21		our Company	49129748	38	March 27, 2031
22		our Company	49129452	21	April 6, 2031
23		our Company	49126981	6	April 6, 2031
24		our Company	49125204	12	April 6, 2031
25		our Company	49124818	20	April 6, 2031
26		our Company	49123094	22	March 27, 2031
27		our Company	49122571	27	March 27, 2031
28		our Company	49120033	13	April 6, 2031
29		our Company	49119696	4	April 6, 2031
30		our Company	49117527	44	April 6, 2031
31		our Company	49117117	10	March 27, 2031
32		our Company	49116593	19	March 27, 2031
33		our Company	49113286	36	March 27, 2031
34		our Company	49113248	24	March 27, 2031

No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date
35		our Company	49112622	7	March 27, 2031
36		our Company	49111989	17	March 27, 2031
37		our Company	49111973	16	March 27, 2031
38	卷帘大将	our Company	48505204	31	March 13, 2031
39	奉上好	our Company	48408356	31	March 13, 2031
40	全果链	our Company	47587774	38	February 13, 2031
41	全果链	our Company	47588522	9	February 13, 2031
42	水果宇宙	our Company	46173499	9	January 13, 2031
43	水果宇宙	our Company	46169732	42	January 6, 2031
44	水果宇宙	our Company	46169730	38	January 6, 2031
45	九色鹿	our Company	46002447	31	March 27, 2031
46	泰珠	our Company	44577006	31	November 13, 2030
47	丰登	our Company	44423881	31	February 13, 2031
48	南红	our Company	44296854	31	February 20, 2031
49	桃太黄	our Company	43836481	35	October 6, 2030
50	海苔君	our Company	43836429	31	October 27, 2030
51	海苔君	our Company	43828098	35	October 6, 2030
52	海蒟蒻	our Company	43814437	35	October 27, 2030
53	海蒟蒻	our Company	43833182	31	February 20, 2031
54	兆果链	our Company	41827818	35	July 13, 2030
55	兆果链	our Company	41813350	9	July 13, 2030
56	ZOEGO	our Company	41195519	42	July 20, 2030
57	ZOEGO	our Company	41195481	31	August 6, 2030
58	造果互联	our Company	41191939	42	October 27, 2030
59	造果互联	our Company	41170456	31	July 20, 2030
60	ZOEGO	our Company	41165722	35	August 20, 2030





No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date
61	果立方	our Company	40960829	42	May 6, 2030
62	造果宇宙	our Company	40952621	9	May 6, 2030
63	造果宇宙	our Company	40947332	35	May 6, 2030
64	造果宇宙	our Company	40940139	31	May 6, 2030
65	环球果链	our Company	40940135	9	May 6, 2030
66	造果宇宙	our Company	40940119	42	May 6, 2030
67	吻李	our Company	39731687	32	April 13, 2030
68	吻李	our Company	39727310	29	April 13, 2030
69	洪九	our Company	38987735	37	February 6, 2030
70	洪九	our Company	38987653	34	February 6, 2030
71	洪九	our Company	38980183	41	February 6, 2030
72	洪九	our Company	38977907	44	February 6, 2030
73	洪九	our Company	38974705	43	February 6, 2030
74	洪九	our Company	38973433	40	February 6, 2030
75	洪九	our Company	38973091	45	February 13, 2030
76	洪九	our Company	38970513	32	February 13, 2030
77	洪九	our Company	38967244	35	May 20, 2030
78	洪九	our Company	38965844	30	March 27, 2030
79	洪九	our Company	38965020	42	February 6, 2030
80	洪九	our Company	38958389	28	February 6, 2030
81	洪九	our Company	38958335	7	February 20, 2030
82	洪九	our Company	38956100	15	February 6, 2030
83	洪九	our Company	38955985	2	May 6, 2030
84	洪九	our Company	38952259	23	March 6, 2030
85	洪九	our Company	38949892	27	March 6, 2030
86	洪九	our Company	38949872	16	February 13, 2030
87	洪九	our Company	38949859	14	February 6, 2030

No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date
88	洪九	our Company	38947017	3	February 6, 2030
89	洪九	our Company	38941975	29	May 13, 2030
90	洪九	our Company	38940460	18	February 6, 2030
91	洪九	our Company	38940416	6	February 6, 2030
92	洪九	our Company	38938796	20	February 20, 2030
93	洪九	our Company	38938770	10	February 20, 2030
94	洪九	our Company	38937203	1	March 6, 2030
95	洪九	our Company	38935734	24	March 6, 2030
96	洪九	our Company	38935728	21	February 6, 2030
97	洪九	our Company	38935702	11	February 6, 2030
98	洪九	our Company	38935694	9	February 6, 2030
99	洪九	our Company	38935667	5	February 6, 2030
100	洪九	our Company	38932621	8	February 6, 2030
101	泰珠	our Company	38848538	29	February 6, 2030
102	吻李	our Company	35639167	31	September 6, 2029
103		our Company	34937024	31	November 27, 2029
104	毛小甜	our Company	30033310	43	February 13, 2029
105	猕选	our Company	30033277	35	February 13, 2029
106	猕选	our Company	30026958	43	February 13, 2029
107	毛小甜	our Company	30025783	35	February 13, 2029
108	猕奇猴	our Company	30023401	35	February 13, 2029
109	猕奇猴	our Company	30017356	31	February 13, 2029
110	猕奇猴	our Company	30016252	43	February 13, 2029
111		our Company	30012768	35	May 27, 2029
112	毛小甜	our Company	30011099	31	February 13, 2029
113	猕选	our Company	30011076	31	February 13, 2029
114	蕉点	our Company	29853077	35	April 27, 2029


No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date
115	焦点	our Company	29851516	31	February 6, 2029
116	洪九越来越美	our Company	20738849	35	September 13, 2027
117	洪九	our Company	20738807	35	September 13, 2027
118	洪九越来越美	our Company	20738527	31	September 13, 2027
119	洪九	our Company	20738391	31	September 13, 2027
120	洪九泰好吃	our Company	19061903	31	March 6, 2027
121	洪九泰好吃	our Company	19061871	31	March 6, 2027
122	洪九泰好吃	our Company	19061791	31	March 6, 2027
123	Hj	our Company	13804755	31	February 13, 2025
124	洪九果品 HONGJIU GUO PIN	our Company	12091904	43	July 13, 2024
125	洪九果品 HONGJIU GUO PIN	our Company	12091881	40	July 13, 2024
126	洪九果品 HONGJIU GUO PIN	our Company	12091871	35	July 13, 2024
127	洪九果品 HONGJIU GUO PIN	our Company	12091856	33	July 13, 2024
128	洪九果品 HONGJIU GUO PIN	our Company	12091838	32	July 13, 2024
129	洪九果品 HONGJIU GUO PIN	our Company	12091824	30	July 13, 2024
130	洪九果品 HONGJIU GUO PIN	our Company	12091814	29	September 13, 2024
131	洪九果品 HONGJIU GUO PIN	our Company	12091782	10	July 13, 2024
132	洪九果品 HONGJIU GUO PIN	our Company	12091755	5	July 13, 2024
133	洪九果品 HONGJIU GUO PIN	our Company	12091736	3	July 13, 2024
134	洪九果品 HONGJIU GUO PIN	our Company	5592085	31	May 27, 2029
135	洪九果品 HONGJIU FRUIT	our Company	17388708	31	November 20, 2026
136	环球果链	our Company	40966501	35	July 6, 2030
137	造果互联	our Company	41182247	9	October 13, 2030
138	ZOEGO	our Company	41185559	9	October 20, 2030
139	汤橙	our Company	38845044	31	June 13, 2030
140	兆果链	our Company	41831966	42	September 13, 2030

No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date
141		our Company	30020515	31	March 27, 2030
142	焦点	our Company	29847971	43	April 13, 2029
143		our Company	34928948	35	May 13, 2030
144		our Company	17408856	35;31;3	August 6, 2027
145	猛象	our Company	45469191	31	November 20, 2030
146	灵猫	our Company	44431963	31	November 27, 2030
147	大猫	our Company	44429768	31	November 27, 2030
148	小喇叭	our Company	44429391	31	November 27, 2030
149	丛林王	our Company	44429077	31	December 6, 2030
150	走马灯	our Company	44423880	31	December 20, 2030
151	太白	our Company	44423863	31	November 27, 2030
152	猫王	our Company	38862323	29	February 6, 2030
153	猴天大圣	our Company/Guizhou Zhongkang Agriculture Technology Company Limited (贵州中康农业科技有限公司)	30009405	43	February 13, 2029
154	猴天大圣	our Company/Guizhou Zhongkang Agriculture Technology Company Limited	30016311	35	February 6, 2029
155	猴天大圣	our Company/Guizhou Zhongkang Agriculture Technology Company Limited	30028217	31	May 27, 2029
156		our Company/Guizhou Zhongkang Agriculture Technology Company Limited	31464625	35	March 13, 2029
157		our Company/Guizhou Zhongkang Agriculture Technology Company Limited	31465110	43	March 13, 2029
158		our Company/Guizhou Zhongkang Agriculture Technology Company Limited	31469765	31	March 6, 2029
159	猴天大圣	our Company/Guizhou Zhongkang Agriculture Technology Company Limited	40742844	29	April 13, 2030

As of the Latest Practicable Date, our Group has registered the following key trademarks overseas which are material to the business of our Group:

No.	Trademark	Place of Registration	Registered Owner	Registration No.	Class	Expiry Date
1		Thailand	our Company	181112068	31	October 25, 2026
2		Chile	our Company	1111271	31	June 22, 2025
3		Vietnam	our Company	1209083	31	March 17, 2024
4		the United States	our Company	1209083	31	September 21, 2025

As of the Latest Practicable Date, our Group has registered the following trademark in Hong Kong which is material to the business of our Group:

No.	Trademark	Registered Owner	Registration No.	Class	Expiry Date
1		our Company	305695453	31 and 35	July 22, 2031

Patents

As of the Latest Practicable Date, our Group had registered the following key patents in relation to the business of our Group as a whole:

No.	Applicant	Patent No.	Patent Name	Place of registration	Date of Application
1	our Company	ZL201930636004.2	Packaging blister box (kiwi)	PRC	November 19, 2019
2	our Company	ZL201930635636.7	Packing box (kiwi)	PRC	November 19, 2019
3	our Company	ZL201921994515.2	Fruit packaging bearing structure and fruit loading display box	PRC	November 19, 2019

Domain Names

As of the Latest Practicable Date, our Group has registered the following key domain names which are material to the business of our group:

No.	Domain Name	Registered Owner	Expiry Date
1	hjfruit.com	our Company	July 30, 2028
2	hjfruit.cn	our Company	February 1, 2024
3	洪九果品.中國	our Company	May 27, 2029
4	洪九果品.網址	our Company	July 18, 2029
5	hjpgscm.com	our Company	June 2, 2023

Copyrights

As of the Latest Practicable Date, the key copyrights in relation to the business of our Group as a whole were:

No.	Copyright	Owner of Copyrights	Registration Date	Registration No.
1	Hong Jiu	Our Company	January 4, 2017	Guo Zuo Deng Zi-2017-F-00342827
2	Chongqing Hongjiu Fruit Co., Limited – Longan packaging pattern	Our Company	May 16, 2019	Yu Zuo Deng Zi-2019-F-00395299
3	Dragon symbol of Hongjiu Fruit	Our Company	August 30, 2019	Yu Zuo Deng Zi-2019-F-00417923
4	Mi Tian Da Sheng brand illustrator 2.0 of Hongjiu Fruit	Our Company	August 30, 2019	Yu Zuo Deng Zi-2019-F-00417924
5	Old tree longan packaging of Hongjiu Fruit	Our Company	December 20, 2019	Yu Zuo Deng Zi-2019-F-00456716
6	Mi Tian Da Sheng brand illustrator of Hongjiu Fruit	Our Company	December 20, 2019	Yu Zuo Deng Zi-2019-F-00456717
7	Gannan navel orange packaging	Our Company	May 29, 2020	Yu Zuo Deng Zi-2020-F-00493937
8	Gannan navel orange packaging	Our Company	May 29, 2020	Yu Zuo Deng Zi-2020-F-00493936
9	Mango packaging	Our Company	May 29, 2020	Yu Zuo Deng Zi-2020-F-00493932
10	Lychee packaging	Our Company	May 29, 2020	Yu Zuo Deng Zi-2020-F-00493933
11	Yellow peach packaging	Our Company	May 29, 2020	Yu Zuo Deng Zi-2020-F-00493934
12	Three Gorges navel orange packaging	Our Company	May 29, 2020	Yu Zuo Deng Zi-2020-F-00493939
13	Three Gorges navel orange packaging	Our Company	May 29, 2020	Yu Zuo Deng Zi-2020-F-00493938
14	Vietnam dragon fruit packaging	Our Company	May 29, 2020	Yu Zuo Deng Zi-2020-F-00493935
15	HJ brand symbol creative design plan 1 — extension	Our Company	August 24, 2020	Yu Zuo Deng Zi-2020-F-00521301
16	HJ brand symbol creative design plan 1	Our Company	August 24, 2020	Yu Zuo Deng Zi-2020-F-00521302
17	HJ brand symbol creative design plan 2	Our Company	August 24, 2020	Yu Zuo Deng Zi-2020-F-00521300
18	HJ brand symbol creative design plan 3	Our Company	August 24, 2020	Yu Zuo Deng Zi-2020-F-00521296
19	HJ brand symbol creative design plan 4	Our Company	August 24, 2020	Yu Zuo Deng Zi-2020-F-00521297
20	HJ brand symbol creative design plan 5	Our Company	August 24, 2020	Yu Zuo Deng Zi-2020-F-00521298
21	HJ brand symbol creative design plan 6	Our Company	August 24, 2020	Yu Zuo Deng Zi-2020-F-00521299

Software Copyright

As of the Latest Practicable Date, the key software copyright in relation to the business of our Group as a whole were:

No.	Registration No.	Software Name	Owner of copyright	Certificate No.	Date of Initial Publication	Date of Approval and Registration
1	2020SR0823200	Hongjiu Fruit Merchant Platform [abbreviation: Merchant Platform] V1.0	Our Company	Ruan Zhu Deng Zi No. 5701896	July 1, 2020	July 24, 2020
2	2021SR0538367	Hongjiu Fruit GSCM Logistics System [GSCM] V1.0	Our Company	Ruan Zhu Deng Zi No. 7260993	March 25, 2021	April 14, 2021
3	2021SR0940134	Hongjiu Fruit Global Supply Chain Management System 1.0	Our Company	Ruan Zhu Deng Zi No. 7662760	December 1, 2020	June 24, 2021

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws of regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have 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).

B. Remuneration of Directors and Supervisors

Save as disclosed in the sections headed "Directors, Supervisors and Senior Management" and under "Appendix I — Accountants' Report — Notes to the Historical Financial Information — 8 Directors' Emoluments" in this Prospectus, no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of each of the three financial years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022.

4. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Save as disclosed below, immediately following the completion of the Global Offering and Conversion of Shares into H Shares, assuming that the Over-allotment Option is not exercised, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our 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 position 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 10 to the Listing Rules to be notified to our Company, once the Shares are listed on the Stock Exchange.

Interest in Shares of our Company

Name	Title	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of shareholding in the total share capital of our Company of Shares immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised)
Mr. Deng ⁽¹⁾	Chairperson of the Board, Executive Director	Beneficial owner	Domestic Shares	101,740,360	64.99%	21.78%
			H Shares	51,369,990	16.54%	11.00%
		Interest of spouse	Domestic Shares	21,363,325	13.65%	4.57%
			H Shares	21,363,325	6.88%	4.57%
Ms. Jiang ⁽¹⁾	Executive Director, General Manager	Beneficial owner	Domestic Shares	21,363,325	13.65%	4.57%
			H Shares	21,363,325	6.88%	4.57%
		Interest of spouse	Domestic Shares	101,740,360	64.99%	21.78%
			H Shares	64,208,340	20.68%	13.75%
Mr. Peng He	Executive Director, Executive Deputy General Manager	Beneficial owner	Domestic Shares	838,500	0.54%	0.18%
			H Shares	838,500	0.27%	0.18%

Name	Title	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of shareholding in the total share capital of our Company of Shares immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised)
Mr. Yang Junwen ⁽²⁾	Executive Director, Deputy General Manager	Beneficial owner	Domestic Shares	487,500	0.31%	0.10%
			H Shares	487,500	0.16%	0.10%
	Interest of spouse	Domestic Shares	97,500	0.06%	0.02%	
		H Shares	97,500	0.03%	0.02%	
Ms. Tan Bo	Executive Director, Deputy General Manager, Secretary of the Board	Beneficial owner	Domestic Shares	487,500	0.31%	0.10%
			H Shares	487,500	0.16%	0.10%
Ms. Yu Lixia	Chairperson of Supervisory Committee, Supervisor	Beneficial owner	Domestic Shares	253,500	0.16%	0.05%
			H Shares	253,500	0.08%	0.05%

Notes:

- (1) Mr. Deng is the spouse of Ms. Jiang. Under the SFO, each of Ms. Jiang and Mr. Deng is deemed to be interested in the Domestic Shares that the other person is interested in. Mr. Deng is the sole general partner and managing partner of each of Chongqing Heli and Chongqing Hezhong, the Employee Incentive Platforms. As such, Mr. Deng is deemed to be interested in the Shares held by Chongqing Heli and Chongqing Hezhong under the SFO. Pursuant to the Entrustment Agreement entered into among Mr. Deng, Mr. Deng Haoji and Ms. Deng Haoyu, the respective voting rights attached to the Shares held by Mr. Deng Haoji and Ms. Deng, have been entrusted to Mr. Deng solely and exclusively since the date when Mr. Deng Haoji and Ms. Deng Haoyu acquired equity interest in the Company from Mr. Deng in October 2020. Therefore, Mr. Deng is also deemed to be interested in the Shares and voting rights held by each of Mr. Deng Haoji and Ms. Deng Haoyu under the SFO.
- (2) Mr. Yang Junwen is the spouse of our Shareholder Ms. Yu Wenli. Under the SFO, each of Ms. Yu Wenli and Mr. Yang is deemed to be interested in the Shares that the other person is interested in.

Save as disclosed in this Prospectus, as of the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by our Company or had exercised any rights to subscribe for shares or debentures of our Company or any of our associated corporations.

B. Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering, 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, see the section headed “Substantial Shareholders” in this Prospectus.

Interests of substantial shareholders in members of our Group (excluding our Company)

Our subsidiaries	Authorized share capital/ Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding
Chongqing Runjiu Supply Chain Management Co., Ltd. (重慶潤九供應鏈管理有限公司)	RMB5,000,000	Chongqing Runchuang International Logistics Transportation Co., Ltd. (重慶潤創國際貨物運輸代理有限公司)	35.0%
Green Fruit Holdings Company Limited	THB5,000,000	Thawee Saewang Rungrueang Wiromrat	25.5% 25.5%

C. Disclaimers

Save as disclosed in this Prospectus:

- (a) none of our Directors, Supervisors or experts (as named under “— 5. Other Information — E. Qualification of Experts” in this Appendix) has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole;
- (c) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders’ meetings of any member of our Group in the Shares or underlying Shares of our Company;
- (d) neither the Controlling Shareholders nor our Directors are interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group; and

- (e) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest suppliers of the Group.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

B. Sole Sponsor

China International Capital Corporation Hong Kong Securities Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between our Company and the Sole Sponsor, we have agreed to pay the Sole Sponsor a fee of US\$250,000 to act as the sponsor of our Company in connection with the proposed listing on the Stock Exchange.

C. Preliminary Expenses

We have not incurred any material preliminary expense.

D. Promoters

Information of our promoters as of the time of our Company's conversion into a joint stock company in April 23, 2013 is as follows:

No	Name
1.	Mr. Deng
2.	Ms. Jiang

Save as disclosed in this Prospectus, within the three years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this Prospectus.

E. Qualification of Experts

The qualifications of the experts who have given opinions in this Prospectus are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of regulated activities under the SFO
KPMG	Certified Public Accountants, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Zhong Lun Law Firm	PRC legal advisers
China Insights Industry Consultancy Limited	Industry consultant
Chongqing Sound Law Firm	PRC litigation counsel in respect of the Loan Incident

F. Consents of Experts

Each of the experts named in paragraph E above has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

G. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK\$1.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

H. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all 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.

I. Miscellaneous

Save as disclosed in this Prospectus:

- (a) within the two years immediately preceding the date of this Prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued, or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and
 - (iv) 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;
- (b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there is no arrangement under which future dividends are waived or agreed to be waived;
- (f) save for our H Shares to be issued in connection with the Global Offering, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (g) all necessary arrangements have been made to enable our H Shares to be admitted into CCASS for clearing and settlement.

J. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

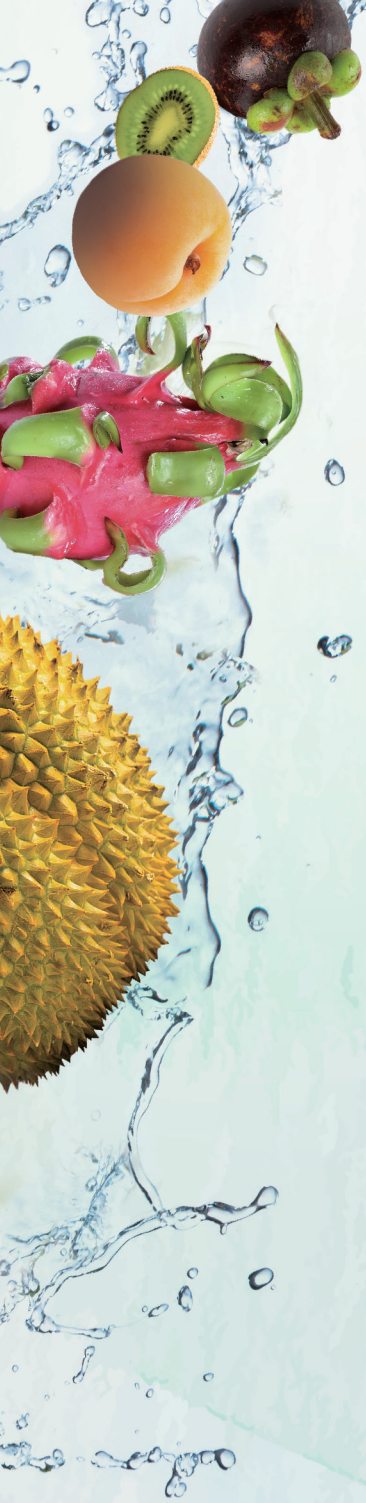
- (a) a copy of the **GREEN** Application Form;
- (b) the written consents referred to in the paragraph headed “5. Other Information — F. Consents of Experts” in Appendix VI to this Prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “2. Further Information about Our Business — A. Summary of Our Material Contracts” in Appendix VI to this Prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at <https://www.hjfruit.com> up to and including the date which is 14 days from the date of this Prospectus:

- (a) the Articles of Association;
- (b) the accountants’ report from KPMG in respect of the consolidated financial information of our Group for each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the text of which is set forth in Appendix I to this Prospectus;
- (c) the report from KPMG in respect of the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this Prospectus;
- (d) the audited consolidated financial statements of our Group for each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022;
- (e) the CIC Report;
- (f) the material contracts referred to in the paragraph headed “2. Further Information about Our Business — A. Summary of Our Material Contracts” in Appendix VI to this Prospectus;

- (g) the written consents referred to in the paragraph headed “5. Other Information — F. Consents of Experts” in Appendix VI to this Prospectus;
- (h) the service contracts referred to in the paragraph headed “3. Further Information about Our Directors and Supervisors — A. Particulars of Directors’ and Supervisors’ Contracts” in Appendix VI to this Prospectus;
- (i) the legal opinions issued by Zhong Lun Law Firm, our PRC Legal Advisers, in respect of, among other things, the general matters and property interests of our Group;
- (j) the legal opinion issued by Chongqing Sound Law Firm, our PRC litigation counsel in respect of the Loan Incident; and
- (k) the following PRC laws and regulations, together with unofficial English translation thereof:
 - (i) the PRC Company Law;
 - (ii) the PRC Securities Law;
 - (iii) the Special Regulations; and
 - (iv) the Mandatory Provisions.




洪九果品
HONGJIU FRUIT