

## FUTURE PLANS AND [REDACTED]

### FUTURE PLANS

Please see the section entitled “Business — Our Business Strategies” in this document for a detailed description of our future plans.

[REDACTED]

The table below sets forth the estimate of the [REDACTED] of [REDACTED] which we will receive after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with [REDACTED]:

	<u>Assuming the [REDACTED] is not exercised</u>	<u>Assuming the [REDACTED] is exercised in full</u>
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in this document)	Approximately HK\$[REDACTED] million	Approximately HK\$[REDACTED] million
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] stated in this document)	Approximately HK\$[REDACTED] million	Approximately HK\$[REDACTED] million
Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] stated in this document)	Approximately HK\$[REDACTED] million	Approximately HK\$[REDACTED] million

We intend to use the [REDACTED] of [REDACTED] for the following purposes (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] stated in this document, after deduction of [REDACTED] fees and commissions and other estimated expenses in connection with [REDACTED], and [REDACTED] is not exercised):

- approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used to improve and enhance our operation and supply chain systems; in particular:
  - o approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used to selectively pursue acquisitions of businesses, brands or products and further develop strategic alliances; we will look for suitable acquisition and investment opportunities based on factors such as potential targets’ contribution to our industry chain, brand awareness, development potential, and complementarities with our

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existing products and channels; to be specific, we intend to selectively acquire businesses in our ecosystem with a special focus on upstream players, including fruit product suppliers and agricultural technology companies, to enhance our influence over the industry value chain and secure supplies of high-quality fruit products; we may also target regional fruit retailers to gain channel brands and an access to relevant regional markets; having consulted with Frost & Sullivan, who conducted a desktop research on the number of domestic fruit suppliers, agricultural technology companies and fruit retailers with varying registered capital, we believe there are plenty number of potential targets that meet our expectations; given the variety of companies we may target, we currently do not maintain a specific cap limit nor a specified range of investment size to our capital investment at current stage, however, to be prudent, we currently consider we will make minority equity investment when an appropriate opportunity arises; with respect to any single transaction, the transaction value of a majority of our equity investments during the Track Record Period was no more than RMB7.0 million; while we will continue to evaluate potential acquisitions of business, as of the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of [REDACTED] from [REDACTED]; for more details about our acquisition strategy, please also refer to “Business — Our Business Strategies — Pursue appropriate strategic investment and acquisition opportunities to strengthen our industry chain layout;”

- o approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used to improve our R&D capabilities which we believe is critical for us to maintain diverse and high-quality product offerings; proceeds to be used in this regard primarily include (a) plantation: we intend to establish specialized laboratories for core plantation processes, for example, we have identified different products and plan to establish three specialized laboratories for product quality research, plantation materials and product commercialization by 2024, and to establish demonstration plantation bases for technology promotion by 2024, (b) product categories: we intend to enhance product experiments and development, and we currently target to launch at least four new commercialized product categories; to this end, we expect to newly hire 35 staff for our product development department by the end of 2023, comprising 5 product information system assistants who will be responsible for the maintenance of product development related information, 10 product development managers who will be in charge of new product development and management, and 20 industry experts who have in-depth expertise with respect to various product categories so as to provide supervision and consulting services during the process of our product development; and (c) post-harvest: we intend to upgrade existing R&D capabilities to cover more fundamental research areas in the upcoming three years, such as freshness preservation and ripening, aiming at further enhancing the ability to reduce the loss rate and improve product quality;

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- o approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used to incubate self-branded products by further penetrating into supply chain; to this end, we plan to identify appropriate locations and establish two specialized processing factories near places of origin for selected core products by 2024; we will provide advanced post-harvest processing technologies, fruit quality classification system, automated packaging capabilities for various sales channels which are tailored for such individual core products; we believe that such involvement in the upstream supply chain will improve the supply chain efficiency, enhance product quality and shelf-life on one hand, and enable us to involve in the process of stabilizing product quality and establishing branded products at an early stage on the other hand, which, in turn, further increases our competitiveness; in this regard, we have contemplated two projects in Jiangxi Province and Hainan Province, the major place of origin for citrus and pineapple, respectively, and are in the preparation to establish specialized processing factories with tailored equipment for such products;
- o approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used to increase the automation level in our current processing and distribution centers, including the launch of autonomous vehicle solutions within the centers, and the addition of automated production lines for product delivery and packaging processes; with respect to autonomous vehicle solutions, we expect to complete the vehicle model selection and testing by 2023 and launch in all of our distribution centers in phases between 2024 and 2025; with respect to automated production lines, we intend to complete the installation in 2023 and 2024, subject to the different conditions of each distribution centers;
- o approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used to improve the efficiency and eco-friendliness of logistics and warehousing systems, including (a) increasing processing capacity and efficiency for processing and distribution centers to improve the overall warehousing capacity; in particular, we intend to set up processing areas for other fresh groceries in selected processing and distribution centers in six cities, which is expected to be completed by 2024; (b) reallocating existing processing and distribution centers to separated zones for standardized product sorting and packaging to deliver pre-packaged products for different sales channels we currently plan to transform six centers by reallocating such separation zone, including in cities of Shenzhen, Guangzhou, Shanghai and others, within the next three years, with two centers in each year; (c) renovation for energy-saving photovoltaic lightening systems in logistics and warehousing centers, which is expected to be commenced in 2023 and completed in 2025, and replacement of recyclable packaging materials and containers in standardized specifications, which is expected to be commenced in 2023 and completed in 2024; and (d) upgrading IT infrastructure to accommodate above-mentioned various new functions which will be more tailored for fresh grocery industry, which is expected to be completed by 2025, depending on the launch time the relevant new functions;

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- o approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used for innovation attempts of new retail operations, primarily including (a) establishing new fruit retail channel brands targeting the younger generation and high-end market, respectively; (b) studying, developing and, standardizing differentiated marketing solutions for stores located in different major commercial areas, such as residential communities, commercial complexes, office buildings and shopping malls, which will improve our future marketing efficiency and precision; (c) upgrading stores by (i) developing additional and innovative dining options, such as fruit juice, fruit tea and light meal sets, to attract more consumers; (ii) continuously investing in content marketing which promotes our mission of delicious fruits and enjoyable lifestyle; (iii) adding fruit processing equipment and improving designs for store decoration, in-store traffic flow, in order to enhance consumers’ shopping experience; (d) establishing a dedicated marketing and training team for such fruit new retail initiatives; we expect to hire 14 additional managerial talents with working experience for this dedicated marketing and training team by the end of 2023, comprising content marketing manager, branding manager, product manager, visual design manager, as well as operation managers responsible for new retail operations in different types of commercial areas; and (e) exploring marketing approaches for other fresh groceries; and
  
- o approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used to improve our membership management and expand member base; we had accumulated over 72 million members and over 910 thousand paying members as of the Latest Practicable Date; the monthly purchase frequency and monthly purchase amounts of our paying members have been generally higher than those of non-paying members; as such, we believe efficient membership operation driving member acquisition, retention and conversion is critical for our future success, and we intend to continue to invest in our ability of membership operations; proceeds to be used in this regard primarily include (a) investments in attracting and maintaining online traffic through development of promotional events, cooperation with various third parties, (b) continuous studies on consumer experience and needs so as to effectively stimulate repeat purchases and cross-sales opportunities; and (c) improvement of availability and algorithm of mobile APPs and other IT infrastructure to support membership services and deliver more customized benefits for members, in particular, to enhance the member engagement by further activating community group-buy potentials; to this end, we expect to enhance our IT team by newly hiring 25 members, including 2 managers focusing on store operation standardization and user experience, 3 operation managers focusing on membership management, 10 members specializing in online traffic and user expansion, and 10 members specializing in the development and operation of Pagoda mobile APPs and WeChat mini-program;

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- approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used for upgrades of our IT systems and infrastructure and the further streamline of various IT functions; our OMO strategy requires a constantly efficient information system that allows us to process and synchronize massive data across the entire industry chain; proceeds to be used in this regard primarily include (a) establishment of different mid-end platforms serving supply chain, OMO and data analytic capabilities, and (b) upgrading Pagoda ERP systems accessible to more participants across our industry value chain, increasing our empowering effects; to this end, we intend to (i) set up an intelligent POS system enabling full store OMO management functions; (ii) develop a new marketing and service platform which aims to provide enhanced IT empowerments to various industry players by offering more streamlined market insights we have accumulated and increase the competitiveness of our ecosystem as a whole; and (iii) improve Pagoda ERP systems to implement software-as-a-service, or SaaS, products, which mainly refer to programed modules for various operating functions that are standardized and open to business partners, allowing us to achieve synergy from digitalization; we believe such systems will facilitate the establishment of a more efficient and collaborative ecosystem, we plan to (i) optimize the system infrastructure by 2023 in preparation for system expansion in 2023, (ii) roll out system modules catering to scenarios for new industry participants since 2024, and (iii) in 2024 and 2025, promote our enhanced OMO-featured system among industry participants and continue to improve and develop new functions to accommodate different application scenarios;
- approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used to repay part of our following interest-bearing bank borrowings, all of which were denominated in Renminbi and for our working capital purpose: (i) an interest-bearing bank loan with the principal amount of RMB70.0 million bearing an interest rate of 3.85% per annum, which expires on October 28, 2022; (ii) an interest-bearing bank loan with the principal amount of RMB90.0 million bearing an interest rate of 3.80% per annum, which expires on December 7, 2022; (iii) an interest-bearing bank loan with the principal amount of RMB90.0 million bearing an interest rate of 3.85% per annum, which expires on December 20, 2022; (iv) an interest-bearing bank loan with the principal amount of RMB5.0 million bearing an interest rate of 3.85% per annum, which expires on December 27, 2022; (v) an interest-bearing bank loan with the principal amount of RMB100.0 million bearing an interest rate of 3.80% per annum, which expires on January 4, 2023; and (vi) an interest-bearing bank loan with the principal amount of RMB50.0 million bearing an interest rate of 3.70% per annum, which expires on February 28, 2023; and
- approximately [REDACTED]% of our estimated [REDACTED], representing approximately HK\$[REDACTED] million, will be used as our working capital and for general corporate purposes.

Except for the amount of HK\$[REDACTED] million that we expect to use to repay our interest-bearing bank borrowings, the above allocation of [REDACTED] will be adjusted on a pro rata basis in the event that [REDACTED] is fixed at a higher or lower level compared to the midpoint of [REDACTED] stated in this document.

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In the event that [REDACTED] is exercised in full, we intend to apply the additional [REDACTED] to the above uses in the proportions stated above, except for the amount of HK\$[REDACTED] million that we expect to use to repay our interest-bearing bank loans.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we will only deposit the [REDACTED] into short-term interest-bearing accounts at licensed banks or financial institutions as defined under the Securities and Futures Ordinance/the applicable laws in the relevant jurisdiction for non-Hong Kong based deposits. We will make an appropriate announcement if there is any change to the above proposed [REDACTED].